Management Structure Advisory Study (DRAFT)

Alternatives and Recommendations

Prepared for the New Orleans Regional Transit Authority

October 5, 2018

Management Partners

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Planning, Economics & Engineering

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Executive Summary

The New Orleans Regional Transit Authority (RTA) engaged Management Partners and TMG Consulting (the project team) to analyze the advantages and drawbacks of three different public transit management structures: delegated management, directly operated, and a hybrid structure. The current management structure, the delegated management model, is being utilized under a contract for public transit services that will expire in August 2019. The RTA is examining these management structures to determine the one that will provide the best long-term framework for supporting a regional public transit system dedicated to continuous improvement. Management Partners and TMG Consulting were tasked with recommending a management structure based on the analysis of these models.

Both Management Partners and TMG Consulting have had previous associations with the RTA on a number of projects. Management Partners provided several analytical reports to the RTA including an October 2017 ***Management Oversight Guide***. TMG Consulting was engaged in a continuing advisory capacity to the RTA Board and staff to oversee the performance of the RTA's contracted operations vendor. The previous experience of the project team working with the RTA was important in developing this study's analyses and recommendations.

The project team conducted a two-pronged analysis consisting of 1) an extensive review of industry literature and applicable law, and 2) a focused peer review analysis of 13 public transit agencies based on information compiled from the National Transit Database (NTD). The peer review related system performance and cost to agency management structure and is informed by interviews with executives at these agencies. The review of literature included the RTA's recently adopted ***Strategic Mobility Plan*** which establishes visions, objectives, and action steps for the region's public transit into the future. That plan was analyzed in depth to determine whether it contained goals that would favor one management structure over the others.

The project team used the extensive information base discussed above to specify the advantages and drawbacks of each management structure. The team reviewed the analytical outcomes of each structure and determined the relevant degree of importance of the advantages and drawbacks of each to arrive at a recommendation for the preferred management structure.

Project team members unanimously concluded that the hybrid management structure (operations and maintenance service are contracted while management and administration are the responsibility of RTA staff), is the most advantageous management structure for the RTA. The hybrid model is more likely than the other models to provide the framework for continuous improvement of transit operations while embedding management and administrative activities in a structure that best ensures accountability, transparency, and commitment to the residents of the region.

Introduction

In July 2018, the New Orleans Regional Transit Authority (the Agency) issued authorization for Management Partners of Cincinnati, Ohio and TMG Consulting of New Orleans to partner in conducting a Management Structure Advisory Study for the Agency. The RTA's delegated management contract with Transdev Transportation Services, Inc. expires in August 2019 and the Agency intends to rebid the provision of delegated management or alternative services in anticipation of this contract's expiration. Given the time necessary to prepare and advertise a request for proposals (RFP) and evaluate responses to the RFP as well as negotiate a final contract with the successful proposer, the project team was given 45 business days to complete the study so a new contract could be in place at the completion of the existing one.

In anticipation of drafting the RFP, the Agency's scope of work for the Management Structure Advisory Study noted:

> *…the Board of Commissioners would like to commission a study to assess the benefits and drawbacks of maintaining the present structure or changing the model to reduce or eliminate contracting in the operation of the agency. Additionally, the Board requests that this study provide a recommendation for the future management of the agency to inform our RFP development.*

A deliverable was requested that would provide a detailed assessment of the benefits and drawbacks of the following management structures and the complexities involved with implementing them:

1. **Delegated Management:**
   The present delegated management model,
2. **Directly Operated:**
   The model using direct staffing of the RTA with its own employees to manage and operate the Agency, and
3. **Hybrid Structure:**
   The hybrid model that includes partial contracted/partial direct management to manage and operate the Agency.

In **Section 1** of this report, a brief history of the RTA is presented along with a discussion of the current operations of the Agency.

Section 2 looks at a set of agencies considered to be peers of the RTA and related data. These data are used to rank the RTA and its peer agencies while noting if the Agency's bus system is directly operated or contracted to a vendor.

Section 3 details the delegated management, direct staffing, and hybrid models. Conflict of interest and ethical considerations, labor-related 13(C) and strategic mobility plan implications, advantages and drawbacks of the three models, and issues related to staffing the Agency with Louisiana civil service or unclassified employees are discussed.

Section 4 of the study presents the project team's final recommendation.

1. RTA Background

1.1 Abbreviated History of the RTA

In the 1979 session of the state legislature, the City of New Orleans introduced legislation to create the Regional Transit Authority comprised of the member parishes of Jefferson, Orleans, St. Bernard, and St. Tammany. Since it was to be a regional agency operating in several parishes, the RTA was instituted as a subdivision of Louisiana state government.[1] The legislation, Revised Statutes 48:1651, *et seq.*, contains a provision that allowed any member parish to "opt out" of membership. (See La. R.S. 48:1665(E).) The "opt out" provision, importantly, does not force a parish to be a member of the Agency, and each local government can decide on membership. This provision made the legislation politically palatable to the legislature for its eventual passage. Almost immediately, St. Bernard and St. Tammany opted out of RTA membership. Jefferson and Orleans Parishes have continued their membership.

The legislation provides that each parish has three representatives on the Board of the RTA with the parish having the highest percentage share of total RTA revenue operating miles appointing two additional members. Thus, Orleans Parish has five members while Jefferson Parish has three members. The legislation states that votes are to be weighted based on each parish's share of revenue operating miles. The Mayor of New Orleans and the President of Jefferson nominate Board members subject to the approval of the City and Parish Councils.

In 1983, under its rights specified in the New Orleans Public Service Inc. unified franchise agreement to provide electricity, natural gas, and transit services, the City municipalized the transit system and assumed ownership. It then turned the transit system over to the RTA to operate bus, streetcar, and paratransit services in Orleans and member parishes. Before then, Public Service had continued to operate the transit system under the oversight of the City's Office of Transit Administration with funding including federal operating and capital subsidies.

The RTA is financed by fares, as well as a one percent sales tax, and a one percent hotel-motel tax which it shares with the New Orleans Tourism Marketing Commission and the Exhibition Hall Authority. These taxes are collected only in Orleans Parish.

1.2 RTA Operations

The RTA operates the Kenner Loop in the City of Kenner and the Airport Express from downtown New Orleans. In 2019, it will also operate a line into Jefferson Parish to the Ochsner Medical Complex. The rest of Jefferson Parish is served by Jefferson Transit ("JeT") which is provided by Parish government.

Besides the aforementioned lines in Kenner and Jefferson Parish, the RTA operates 34 bus lines, five streetcar lines, and paratransit van/small bus service in Orleans Parish on both sides of the Mississippi River. Its current vehicle count[2] is 143 buses, 66 streetcars, and 51 paratransit vehicles. Rates, fares, and

[1] **Appendix A - Louisiana State Subdivision** provides further discussion of benefits associated with a state subdivision.
[2] Based on 2016 National Transit Database Profile for New Orleans RTA.

service are regulated by the New Orleans City Council under the continuation of Public Service's former franchise agreement with the City. Current annual ridership[3] is 19.9 million passengers.

Currently, all administration, operations, and maintenance for the system are provided through a delegated management contract with Transdev Transportation Services, Inc. which has approximately 550 employees at the RTA. Transdev employees include bus, streetcar, and paratransit operators, maintenance workers, and the following eleven senior managers: general manager, chief financial officer, chief operating officer, chief investment officer, and the directors of marketing, human resources, procurement, infrastructure, paratransit, planning, and scheduling.

The vehicle operators are represented by the Amalgamated Transit Union while the streetcar electricians are represented by the International Brotherhood of Electrical Workers. Some administrative staff are also union members.

Direct employees of the RTA are the Interim Executive Director and the Board Secretary, and a General Counsel serves at the pleasure of the Board, although the RTA enabling legislation provides for total of five unclassified employees. The legislation also provides that any additional employees be included in state civil service and be eligible to participate in the Louisiana State Employees' Retirement System. Contractors and consultants may be engaged by the Agency.

The 2017 RTA required $111.2 million for all expenses. Of this, $80.1 million was the cost of Transdev's services. Fares, the sales tax, and the RTA's portion of the hotel-motel tax generated $18.1 million, $66.2 million, and $6.4 million respectively. The Agency also received $1.9 million from the state's Parish Transportation Fund, $5.5 million from the state motor vehicle tax, $2.3 million in other revenue, and $11.8 million from FTA preventative maintenance funding. In 2017, after capital and operating expenses (including debt service and Transit Management of Southeast Louisiana, Inc. legacy employee pensions, health benefits, and other costs), the Agency's surplus was almost $1 million.[4]

1.3 Transit Management of Southeast Louisiana (TMSEL)

Beginning with the RTA's acquisition of the mass transit system in 1983, and until Veolia/Transdev was engaged, maintenance and operations personnel including vehicle operators were employees of Transit Management of Southeast Louisiana, Inc. (TMSEL), a for-profit corporation, which had been owned by several private entities and finally in 2012 by the RTA itself. Over the years since its founding, the RTA also contracted with several entities to provide management services, including senior management positions. For a limited period of time after Hurricane Katrina until the Veolia/Transdev contract, TMSEL provided all RTA employees except for the Executive Director (vacant), Board Secretary, and General Counsel. The Transit Management Agreement with Veolia/Transdev stipulated that the RTA would assume responsibility for TMSEL contractual obligations and liabilities including TMSEL employee legacy costs. The RTA became owners of all TMSEL stock in 2012. For a list of prominent milestones in TMSEL's history, see **Appendix B**.

[3] Based on National Transit Database FY2017 reporting.

[4] TMG's computation of the 2017 RTA surplus is based on information presented in the December 2017 Financial Statements for the Agency.

2. Peer Agency Review

2.1 Methodology for Selection of Peer Agencies

Based on five factors, a total of 13 peer transit agencies were chosen to be studied and analyzed in this assessment. These agencies have some combination of the following factors:

1. Comparable system ridership[5] to the New Orleans RTA,
2. A similar management structure (not necessarily currently)[6] to the RTA,
3. Another management structure under consideration,
4. Location within the same geographical region as the RTA, and
5. Relevance to the New Orleans RTA's ***Strategic Mobility Plan***.

Ridership

More than half the peers selected have similar system ridership to the RTA, falling within a range of 10 to 40 million annual passengers. The RTA had approximately 19.9 million passengers in FY 2017. Peers with similar ridership include **Orlando** with 26.0 million passengers, **Jacksonville** with 12.7 million passengers, **Charlotte** with 25.0 million passengers, **Austin** with 29.8 million passengers, **El Paso** with 13.4 million passengers, **Phoenix** with 39.3 million passengers, **Nassau** with 25.6 million passengers, and **West Covina (Foothill)** with 13.6 million passengers.

Similar Management Structure

Of special interest for this study is the "similar management structure" criterion. Peer agencies selected primarily on this basis either currently have or recently have transitioned from a management structure that included at least partial contracting with a private company (for administration but not necessarily operations). A total of five agencies met this criterion including **Nassau Inter County Express** in New York, **Foothill Transit** in California, and **GoRaleigh!** in North Carolina. Peers with more typical, directly staffed management structures are also included in this study.

Other Management Structure Being Considered

A total of eight peers met the criterion "other management structure under review," and include **Orlando**, **Jacksonville**, **Charlotte**, **Austin**, **Phoenix**, **Chicago**, **Roaring Fork**, and **Prince George's County**.

Proximate Location

More than half, or seven peers, are within the southeastern region of the U.S. These regional peers include **Orlando**, **Pensacola**, **Jacksonville**, **Charlotte**, **Austin**, **El Paso**, and **Raleigh**.

Relevance to SMP

The final selection criterion is relevance to the ***Strategic Mobility Plan***. Two peers were selected primarily on this basis because they exhibit service that exemplifies goals described in the plan. These two peers are **Chicago** and **Glenwood Springs**. **Table 1** below summarizes the RTA Peer Agency Criteria.

[5] Ridership is reported as "unlinked passenger trips" or UPT by the National Transit Database.

[6] Note that Foothill Transit previously had contracted management until 2013. Currently its executive management and service planning staff are agency employees.

Table 1: New Orleans RTA Peer Agency Criteria

Location	Agency	Comparable Ridership	Similar Management Structure	Other Management Structure Under Review	Within Region	Relevant to *Strategic Mobility Plan*
Austin, TX	Capital Metropolitan Transportation Authority	✓		✓	✓	
Charlotte, NC	Charlotte Area Transit System	✓		✓	✓	
Chicago, IL	Chicago Transit Authority			✓		✓
El Paso, TX	Mass Transit - City of El Paso		✓		✓	
Glenwood Springs, CO	Roaring Fork Transportation Authority			✓		✓
Jacksonville, FL	Jacksonville Transportation Authority	✓		✓	✓	
Nassau, NY	Nassau Inter County Express	✓	✓			
Orlando, FL	Central Florida Regional Transportation Authority (LYNX)	✓		✓	✓	
Pensacola, FL	Escambia County Area Transit		✓		✓	
Phoenix, AZ	City of Phoenix Public Transit Department (dba Valley Metro)	✓		✓		
Prince George's County, MD	Prince George's County Transit			✓		
Raleigh, NC	GoRaleigh!		✓		✓	
West Covina, CA	Foothill Transit		✓			

Source: TMG Consulting; Interviews with agency staff
Note: Regional peers highlighted in peach-colored shading.

2.2 Peer Management Structures

In the project team's selection, review, and correspondence with peer agencies, management structures and contractual relations were of particular interest. Specifically, the team was interested in whether the agency contracted with one or more private companies for any of its administrative positions or hired a contractor to perform operations and/or maintenance for any of its transit services.

Agencies interviewed and reviewed ranged from those that directly administer and operate all services in-house (**Chicago,** IL and **Roaring Fork,** CO) to an agency in **Nassau County,** NY that hires a private company to perform all functions, including planning, budgeting, purchasing, operations, maintenance, and provision of insurance, through a delegated management contract. Until 2013, **Foothill Transit,** in West Covina, CA, also had something they referred to as a delegated management contract. However, Foothill's contract differed from that of Nassau in that it included only management, while operations and maintenance of bus and paratransit services were contracted to other companies through separate contracts. Upon the management contract's 2013 expiration, the agency began directly employing all of its administrative staff, while continuing to contract for bus and paratransit service. In 2012, **Escambia County Area Transit** (in Florida) and a private contractor entered into a "transit management agreement," similar in scope to Nassau's delegated management agreement. The transit management agreement specified that all those working for the transit agency would be employees or agents of the management company.

Other peer agencies contract with private companies for only a few administrative positions, resulting in a mix of in-house and private management. **Sun Metro,** of **El Paso,** TX, contracts with a private company to fill four of its upper-level management positions with expert transit professionals, including the Director of the agency. **Charlotte Area Transit System,** in North Carolina, uses in-house staff for all planning and budgeting, but contracts with a private company for management of a shell corporation that employs all bus drivers and maintenance staff. The contractor provides three administrative personnel to oversee operations and negotiates with labor groups on behalf of the agency. Similarly, **GoRaleigh** uses city employees for finance, planning, grants management, and capital development, but contracts for a general manager and maintenance manager to oversee all staff associated with its bus operations and maintenance. Note that although both North Carolina agencies employ operations and maintenance staff through shell entities, they consider their bus services as being directly operated for purposes of National Transit Database reporting, and tables in this study reflect that.

The most common structure among the peers is for agency staff to perform all planning and administrative functions, while private contractors are responsible for the operation and maintenance of the transit systems. **Orlando**, FL; **Jacksonville**, FL; **Austin**, TX; **Phoenix**, AZ; **Prince George's County,** MD; and, as noted above, **Foothill Transit** in West Covina, CA, all have in-house management but contract for the provision of service of one or more of their transit modes.

Regardless of management structure, about half of the agencies surveyed hire a private contractor to operate and maintain their fixed-route bus service, and all but three contract paratransit service.

Table 2 below lists the peer agencies examined and summarizes the management structure and service contracting status of each of the agencies interviewed.

Table 2: Management Structures and Contracting Status of Peer Agencies

Location	Agency Name	Type of Government Structure	Summary of Contracts (Management and Operations)
New Orleans, LA	New Orleans Regional Transit Authority	Independent Authority	Delegated Management: One Contract for all Administration and Operations
Austin, TX	Capital Metropolitan Transportation Authority	Independent Authority	- In-House Management - Contracted Bus Service - Contracted Paratransit
Charlotte, NC	Charlotte Area Transit System	City Department	- In-House Management **and** - Contracted Management to oversee bus staff - Directly Operated Bus Service* - Directly Operated Paratransit and Rail Service
Chicago, IL	Chicago Transit Authority	State Agency for the Chicago Region	- In-House Administration - All services directly operated
El Paso, TX	Sun Metro Mass Transit - City of El Paso	City Department	Hybrid Management Structure: - Contract for four upper-level administrative staff - Buses directly operated
Glenwood Springs, CO	Roaring Fork Transportation Authority	Intergovernmental Division of Local Governments	- In-House Administration - All services directly operated
Jacksonville, FL	Jacksonville Transportation Authority	Independent Authority	- In-House Management - Directly Operated Bus Service - Contracted Paratransit and Ferry Service
Nassau, NY	Nassau Inter-County Express	County Department	Delegated Management: One Contract for all Administration and Operations
Orlando, FL	Central Florida Regional Transportation Authority (dba LYNX)	Independent Authority	- In House Management - Partially Contracted Bus Service - Contracted Paratransit Service
Pensacola, FL	Escambia County Area Transit	Independent Authority	Transit Management Agreement (most administration performed by contractor) - Contracted Bus Service - Contracted Paratransit
Phoenix, AZ	City of Phoenix Public Transit Department dba Valley Metro	Independent Authority	- In-House Administration - Contracted Bus Service - Contracted Paratransit Service
Prince George's County, MD	Prince George's County Transit	County Department	- In-House Management - Contracted Bus Service - Directly Operated Paratransit Service

Location	Agency Name	Type of Government Structure	Summary of Contracts (Management and Operations)
Raleigh, NC	Capital Area Transit (GoRaleigh)	City Department	- In-House Management **and** - Management Contract for two positions, which are responsible for managing and hiring all bus staff - Directly Operated Bus Service* - Contracted Paratransit
West Covina, CA	Foothill Transit	Joint Powers Authority	Previously**: - Delegated Management (management only) - Contracted Bus and Paratransit Service (separate contract from management) Currently: - In-House Management - Contracted Bus and Paratransit services

* Due to tensions between federal and North Carolina state labor laws, Charlotte and Raleigh employ their bus operations and maintenance staff through shell entities and use a management contract with a private company to hire, manage, and negotiate with the staff.
** Foothill Transit shifted to in-house management in 2013, after 25 years of contracted management. Discussions with the agency covered both models.
Source: Peer Interviews and NTD
Note: Regional peers are highlighted in peach-colored shading .

2.3 Data Comparisons and Rankings of Peers

After selecting the peers, data were collected and tabulated from the National Transit Database (NTD) for FY 2017. The National Transit Database is the Federal Transit Administration's (FTA) database of transit system information and statistics. All transit systems receiving or benefiting from FTA formula grants are required by law to routinely submit data to the NTD. These data and information are analyzed in this section to facilitate a comparison, and ultimately a ranking, of the peers.

Table 3 indicates the volume of service (annual revenue hours[7]), the percentage breakdown of service performed (on a revenue hour basis) by the agency itself (directly operated) and by third parties (contracted) for bus, paratransit, and all other modes, and if an agency has contracted management. For most peers' bus and paratransit operations, 100% of revenue hours are attributable to either direct or contracted operations, rather than a mix of the two service types. This table indicates several variations of contracting service and management among the peers. Not all peers who contract one mode of transit necessarily contract other modes.

[7] Revenue hours (also called vehicle revenue hours) are a time unit for when transit vehicles are in revenue service (i.e., collecting fares) and are expected to be carrying passengers.

Table 3: New Orleans RTA Peer Agency Characteristics: Operations Breakdown Based on Percentage of Revenue Hours Attributable to Service Type for FY 2017

Location	Agency	Total System Revenue Hours	Bus Operations		Paratransit Operations		All Other Operations		Contracted Management
			Directly Operated	Contracted	Directly Operated	Contracted	Directly Operated	Contracted	
New Orleans, LA	**New Orleans Regional Transit Authority**	**785,539**	**0%**	**100%**	**0%**	**100%**	**0%**	**100%**	✓
Orlando, FL	Central Florida Regional Transportation Authority (LYNX)	1,768,242	95%	5%	0%	100%	37%	63%	
Austin, TX	Capital Metropolitan Transportation Authority	1,764,770	0%	100%	0%	100%	0%	100%	
Charlotte, NC	Charlotte Area Transit System	1,093,509	100%	0%	100%	0%	100%	0%	
Chicago, IL	Chicago Transit Authority	9,861,626	100%	0%	n/a	n/a	100%	0%	
El Paso, TX	Mass Transit - City of El Paso	739,466	100%	0%	0%	100%	n/a	n/a	✓
Glenwood Springs, CO	Roaring Fork Transportation Authority	257,077	100%	0%	100%	0%	100%	0%	
Jacksonville, FL	Jacksonville Transportation Authority	875,949	100%	0%	0%	100%	76%	24%	
Nassau, NY	Nassau Inter County Express	942,219	0%	100%	0%	100%	n/a	n/a	✓
Pensacola, FL	Escambia County Area Transit	169,270	0%	100%	0%	100%	n/a	n/a	✓
Phoenix, AZ	City of Phoenix Public Transit Department (dba Valley Metro)	1,955,813	0%	100%	0%	100%	n/a	n/a	
Prince George's County, MD	Prince George's County Transit	253,380	0%	100%	100%	0%	n/a	n/a	
Raleigh, NC	GoRaleigh!	523,513	100%	0%	0%	100%	n/a	n/a	✓
West Covina, CA	Foothill Transit	866,186	0%	100%	n/a	n/a	n/a	n/a	

Source: National Transit Database (NTD) Fiscal Year 2017 Service Data; TMG Consulting calculations; TMG Consulting interviews with agency staff
Note: Regional peers highlighted in peach-colored shading .

One of the goals of assembling this group of peers was to determine if there is a correlation between service and management contracting and performance. To assess this, the following (total system) metrics were included: Passenger Trips per Service Area Capita (a measure of transit usage), financial performance indicators such as Farebox Recovery Rate, Operating Expense per Revenue Hour, Operating Expense per Passenger, Average Fare per Passenger, and service quality indicators such as Passengers per Revenue Hour, Revenue Miles[8] per Revenue Hour, and Average Bus Headway in Minutes.

Passenger trips per Service Area Capita is calculated by dividing a transit system's annual passenger trips (i.e., ridership) by its service area population. Farebox Recovery Rate is computed by dividing annual system fare revenue by annual system operating expense. Operating Expense per Revenue Hour is determined by dividing annual system operating expense by annual system revenue hours. Operating Expense per Passenger is computed by dividing annual operating expense by annual system passenger trips (i.e., ridership). Average Fare per Passenger is calculated by dividing annual system farebox revenue by annual system passenger trips (i.e., ridership). Passengers per Revenue Hour is determined by dividing annual system passenger trips (i.e., ridership) by annual system revenue hours. Revenue Miles per Revenue Hour is computed by dividing annual system revenue miles by annual system revenue hours. Average Bus Headway (in minutes) are Florida State Variables (FSV) sourced from the Florida Transit Information System (FTIS).

The New Orleans RTA, compared with the peer median, serves more passengers per service area capita, has a slightly higher farebox recovery rate, has a significantly greater operating expense per revenue hour, has a slightly greater operating expense per passenger, collects the same average fare per passenger, serves more passengers per revenue hour, has a lower system speed (revenue miles per revenue hour), and has significantly greater average bus headways. **Table 4** details the metrics for each agency, as well as the group median.

[8] Revenue miles (also called vehicle revenue miles) are the distance traveled by transit vehicles when in revenue service (i.e., collecting fares) and are expected to be carrying passengers.

Table 4: Total System[1] Peer Analysis for FY 2017[2]

Location	Agency	Passenger Trips per Service Area Capita	Farebox Recovery Rate	Operating Expense per Revenue Hour	Operating Expense per Passenger	Average Fare per Passenger	Passengers per Revenue Hour	Revenue Miles per Revenue Hour	Average Bus Headway (in minutes), 2016[3]
New Orleans, LA	New Orleans Regional Transit Authority	54	17%	$150	$5.93	$1.00	25	10	38
Austin, TX	Capital Metropolitan Transportation Authority	24	11%	$123	$7.28	$0.77	17	14	18
Charlotte, NC	Charlotte Area Transit System	14	24%	$113	$4.93	$1.19	23	15	22
Chicago, IL	Chicago Transit Authority	149	40%	$143	$2.95	$1.18	49	13	7
El Paso, TX	Mass Transit - City of El Paso	18	13%	$88	$4.85	$0.62	18	14	27
Jacksonville, FL	Jacksonville Transportation Authority	12	13%	$110	$7.65	$1.00	14	15	24
Nassau, NY	Nassau Inter County Express	19	36%	$130	$4.79	$1.73	27	12	13
Orlando, FL	Central Florida Regional Transportation Authority (LYNX)	12	21%	$71	$4.81	$1.03	15	16	29
Pensacola, FL	Escambia County Area Transit	6	9%	$88	$9.51	$0.86	9	15	42
Phoenix, AZ	City of Phoenix Public Transit Department dba Valley Metro	20	16%	$91	$4.51	$0.71	20	11	16
Prince George's County, MD	Prince George's County Transit	3	5%	$120	$9.86	$0.54	12	13	31
Raleigh, NC	GoRaleigh!	15	14%	$58	$5.86	$0.80	10	11	29
West Covina, CA	Foothill Transit	9	18%	$100	$6.41	$1.19	16	14	15
Peer Median		**15**	**16%**	**$110**	**$5.86**	**$1.00**	**17**	**14**	**24**

Source: National Transit Database (NTD) Fiscal Year 2017 Service Data; Florida Transit Information System (FTIS) 2016 Dataset; TMG Consulting Analysis
Notes
1. Metrics are system-wide measurements, except for average headways, which are for bus only.
2. Fiscal Year 2017 data used for all metrics except for average headways, which uses Calendar Year 2016 data.
3. Average Headways are Florida State Variables (FSV) sourced from the Florida Transit Information System (FTIS)
4. Regional peers highlighted in peach-colored shading.

Table 5 indicates the rank of each agency for each metric and shows a non-weighted average rank for each agency as well. Rank was determined on a metric-by-metric basis. When a higher value for a metric such as passenger trips per service area capita was desirable, a rank of 1 was given to the peer with the greatest value, and a rank of 13 was given to the peer with the lowest value. Inversely, when a lower value for a metric was desirable, such as average bus headway, a rank of 1 was given to the peer with the lowest value, and a rank of 13 was given to the peer with the greatest value. Note that the table is sorted by the rightmost column, Average Score and Service Type. Next to the Average Score is either a "D" or a "C", which indicates whether an agency's bus service is primarily directly operated or contracted, respectively.

The New Orleans RTA has an average score of 8.00, placing it fourth from last and well below the median average score of 7.00. The peers with average scores above the median are mixed in service and management structures. The highest ranked peer is **Chicago Transit Authority**, which is completely operated and managed directly. The lowest ranked peer is **Prince George's County Transit** which contracts all of its bus service.

There is no clear pattern of ranking among agencies with contracting compared to agencies without contracting. Both directly operated agencies and agencies that contract fall above and below the median.

Table 5: Total System[1] Peer Ranking for FY 2017[2] (Median values underlined in pink.)

Location	Agency	Passenger Trips per Service Area Capita	Farebox Recovery Rate	Operating Expense per Revenue Hour	Operating Expense per Passenger	Average Fare per Passenger	Passengers per Revenue Hour	Revenue Miles per Revenue Hour	Average Bus Headway (in minutes) 2016[3]	Average Score and Service Type[4]
Chicago, IL	Chicago Transit Authority	1	1	12	1	4	1	9	1	**3.75 D**
Nassau, NY	Nassau Inter County Express	5	2	11	3	1	2	10	2	**4.50 C**
Charlotte, NC	Charlotte Area Transit System	8	3	8	6	2	4	3	6	**5.00 D**
Orlando, FL	Central Florida Regional Transportation Authority (LYNX)	10	4	2	4	5	9	1	9	**5.50 D**
Phoenix, AZ	City of Phoenix Public Transit Department (dba Valley Metro)	4	<u>7</u>	5	2	11	5	11	4	**6.13 C**
West Covina, CA	Foothill Transit	11	5	6	9	3	8	5	3	**6.25 C**
El Paso, TX	Mass Transit - City of El Paso	6	10	3	5	12	6	6	8	**<u>7.00 D</u>**
Jacksonville, FL	Jacksonville Transportation Authority	9	9	<u>7</u>	11	6	10	2	<u>7</u>	**7.63 D**
Austin, TX	Capital Metropolitan Transportation Authority	3	11	10	10	10	<u>7</u>	<u>7</u>	5	**7.88 C**
New Orleans, LA	New Orleans Regional Transit Authority	2	6	13	8	<u>7</u>	3	13	12	**8.00 C**
Raleigh, NC	GoRaleigh!	<u>7</u>	8	1	<u>7</u>	9	12	12	10	**8.25 D**
Pensacola, FL	Escambia County Area Transit	12	12	4	12	8	13	4	13	**9.75 C**
Prince George's County, MD	Prince George's County Transit	13	13	9	13	13	11	8	11	**11.38 C**

Source: National Transit Database (NTD) Fiscal Year 2017 Service Data; Florida Transit Information System (FTIS) 2016 Dataset; TMG Consulting Analysis
Notes
1. Metrics are system-wide measurements, except for average headways, which are for bus only.
2. Fiscal Year 2017 data used for all metrics except for average headways, which uses Calendar Year 2016 data.
3. Average headways are Florida State Variables (FSV) sourced from the Florida Transit Information System (FTIS) and are not TMG Consulting calculations
4. Based on bus operations. D = Directly Operated, C = Contracted

2.4 Conclusions about Peer Direct Operations and Contracted Operations

Table 6 lists the rank order of each metric, as well as the rank order of the average peer score from the previous table. Peers that primarily directly operate their bus service are indicated in blue shading, while peers that primarily contract their bus service are indicated in peach .

For **Passenger Trips per Service Area Capita**, the top-ranking peer is Chicago, which directly operates its bus service. The remainder of the directly operated peers are clustered around the median (Rank 7). The highest ranked contracted service peer is New Orleans at Rank 2, followed by three other contracted service peers. The lowest ranking peers are also contracted service peers.

Chicago, which directly operates its bus service, is the highest ranked peer for **Farebox Recovery Rate**, followed by Nassau, a contracted service peer. The remainder of the directly operated peers are spread above and below the median (Rank 7). The lowest ranked peers are all contracted service peers.

For **Operating Expense per Revenue Hour**, the top three ranking peers are directly operated service peers and are followed by three contracted service peers. The lowest ranked peers include both contracted and directly operated service peers, with New Orleans being the lowest ranked of all.

Chicago, which directly operates its bus service, is the highest ranked peer for **Operating Expense per Passenger** and is followed by two contracted service peers. The lowest ranked peers include both contracted and directly operated service peers, with the lowest being Prince George's County which is a contracted service peer.

The top ranked peer for **Average Fare per Passenger** is Nassau, which is a contracted service peer. The second top-ranked peer is Charlotte which is a directly operated service peer, followed by another contracted service peer—West Covina. The lowest ranked peers include both contracted and directly operated service peers, with the lowest being Prince George's County which is a contracted service peer.

For **Passengers per Revenue Hour**, Chicago, a directly operated service peer, is top ranked, followed by two contracted service peers including New Orleans. The lowest ranked peers include both contracted and directly operated service peers, with the lowest being Pensacola which is a contracted service peer.

For **Revenue Miles per Revenue Hour**, the top three peers are directly operated service peers, the highest ranked peer being Orlando. The lowest ranked peers include both contracted and directly operated service peers, with the lowest being New Orleans.

Chicago, a directly operated service peer, is ranked the highest for **Average Bus Headway**, followed by four contracted service peers. The three lowest ranked peers are all contracted service peers and include New Orleans.

Ranked by the **Average Score** (see prior table for actual average rankings), the top ranked peer is Chicago, a directly operated service peer. It is followed by Nassau, a contracted service peer, then by two more directly operated service peers. The three lowest ranked peers are a mix of contracted and directly operated service peers, with the lowest being Prince George's County which is a contracted service peer.

Table 6: Total System[1] Peer Ranking for FY 2017[2], Alternate Arrangement[3]

Rank	Passenger Trips per Service Area Capita	Farebox Recovery Rate	Operating Expense per Revenue Hour	Operating Expense per Passenger	Average Fare per Passenger	Passengers per Revenue Hour	Revenue Miles per Revenue Hour	Average Bus Headway (in minutes) 2016[4]	Average Score (Rank)
1	Chicago, IL	Chicago, IL	Raleigh, NC	Chicago, IL	Nassau, NY	Chicago, IL	Orlando, FL	Chicago, IL	Chicago, IL
2	New Orleans, LA	Nassau, NY	Orlando, FL	Phoenix, AZ	Charlotte, NC	Nassau, NY	Jacksonville, FL	Nassau, NY	Nassau, NY
3	Austin, TX	Charlotte, NC	El Paso, TX	Nassau, NY	West Covina, CA	New Orleans, LA	Charlotte, NC	West Covina, CA	Charlotte, NC
4	Phoenix, AZ	Orlando, FL	Pensacola, FL	Orlando, FL	Chicago, IL	Charlotte, NC	Pensacola, FL	Phoenix, AZ	Orlando, FL
5	Nassau, NY	West Covina, CA	Phoenix, AZ	El Paso, TX	Orlando, FL	Phoenix, AZ	West Covina, CA	Austin, TX	Phoenix, AZ
6	El Paso, TX	New Orleans, LA	West Covina, CA	Charlotte, NC	Jacksonville, FL	El Paso, TX	El Paso, TX	Charlotte, NC	West Covina, CA
7	Raleigh, NC	Phoenix, AZ	Jacksonville, FL	Raleigh, NC	New Orleans, LA	Austin, TX	Austin, TX	Jacksonville, FL	El Paso, TX
8	Charlotte, NC	Raleigh, NC	Charlotte, NC	New Orleans, LA	Pensacola, FL	West Covina, CA	Prince George's County, MD	El Paso, TX	Jacksonville, FL
9	Jacksonville, FL	Jacksonville, FL	Prince George's County, MD	West Covina, CA	Raleigh, NC	Orlando, FL	Chicago, IL	Orlando, FL	Austin, TX
10	Orlando, FL	El Paso, TX	Austin, TX	Austin, TX	Austin, TX	Jacksonville, FL	Nassau, NY	Raleigh, NC	New Orleans, LA
11	West Covina, CA	Austin, TX	Nassau, NY	Jacksonville, FL	Phoenix, AZ	Prince George's County, MD	Phoenix, AZ	Prince George's County, MD	Raleigh, NC
12	Pensacola, FL	Pensacola, FL	Chicago, IL	Pensacola, FL	El Paso, TX	Raleigh, NC	Raleigh, NC	New Orleans, LA	Pensacola, FL
13	Prince George's County, MD	Prince George's County, MD	New Orleans, LA	Prince George's County, MD	Prince George's County, MD	Pensacola, FL	New Orleans, LA	Pensacola, FL	Prince George's County, MD

Source: National Transit Database (NTD) Fiscal Year 2017 Service Data; Florida Transit Information System (FTIS) 2016 Dataset; TMG Consulting Analysis
Notes
1. Metrics are system-wide measurements, except for average headways, which are for bus only.
2. Fiscal Year 2017 data used for all metrics except for average headways, which uses Calendar Year 2016 data.
3. Based on bus operations, directly operated in blue-colored shading, contracted in peach.
4. Average Headways are Florida State Variables (FSV) sourced from the Florida Transit Information System (FTIS) and are not TMG Consulting calculations

3. Benefits and Drawbacks of Each Management Structure

3.1 Delegated Management Model

The delegated management model is the current management structure used by the RTA. In this model, all operational and maintenance responsibilities and nearly all administrative activities are carried out by a private vendor on contract to the RTA.

The administrative activities carried out by the delegated manager include:

a) Development of an Annual Plan, including scope of work, budget, and capital improvement program, and submission to the RTA Board for approval;
b) Short and long-term service planning;
c) Personnel recruitment, employment, development and training, management, and oversight;
d) Financial planning (including forecasts, tracking, grants management, and fares);
e) Administrative services (fiscal, personnel, risk management, management information systems, purchasing, and record keeping);
f) Customer relations;
g) Marketing;
h) Administration of service contracts; and
i) Conducting requisite employee/labor relations activities.

Administrative activities not delegated to the delegated management vendor include legal services, fuel and lubricant procurement, architectural and engineering and other professional services, security services, financial auditing and reporting in accordance with law, managing advertising and sales services, managing tax revenue, third-party claims administration, managing TMSEL carryover cost, and monitoring utility cost. An Interim Executive Director and Board Secretary also provide administrative support to the RTA Board.

Payments to the vendor are calculated in the Annual Plan (budget), which is developed by the vendor and approved annually by the RTA Board. Payment elements include a fixed fee to cover administrative costs, a monthly variable fee (based on platform hours and rates by mode to cover operational and maintenance costs), vendor pass-through costs, and incentive payments.

As mentioned previously, the current Delegated Management Agreement expires in August of 2019.

3.2 Hybrid Model

Broadly defined, the hybrid management structure consists of some combination of in-house staff and contracted services, for either administrative or operations and maintenance functions.

Variations of the hybrid model include:

a) The RTA directly performs all administrative functions, including oversight of operations and maintenance. Related staff are RTA employees. RTA contracts for operations and maintenance functions for bus, streetcar, and paratransit systems.

b) The RTA contracts for administrative functions. RTA directly operates and maintains bus, streetcar, and paratransit systems and related staff are RTA employees, including staff for oversight of administrative functions.
c) The RTA contracts with separate vendors for administrative functions and for operations and maintenance of bus, streetcar, and paratransit systems. RTA hires staff to perform oversight of these functions.

Each of these variations are defined by how independent contractors are utilized for administrative or operations and maintenance functions. The definitions of an "employee" compared with an "independent contractor" vary depending on the subject matter, but generally speaking, the difference depends on the degree of control. An employer dictates to employees the means or methods by which a job is to be performed, and the employer therefore has responsibility for the way work is performed, in addition to the results. On the other hand, to preserve independent contractor status, the contractor must remain free to decide the means or methods by which a job is to be performed. An independent contractor may be a single person or a group of persons. Normally independent contractors provide their own work space, equipment, etc.

The following factors indicate an employment relationship, although no single factor is determinative:[9]

1) If the agency exercises a high degree of control over the worker;
2) If the worker is not engaged in a "distinct occupation or business" from the agency;
3) If the work is usually done under direction of the agency;
4) If the worker's skills are required to perform the agency's core mission;
5) If the agency supplies the instrumentalities, tools, and place of work;
6) If the working relationship is not short-term;
7) If the worker is paid "by the time" as opposed to "by the job";
8) If the work is part of the regular business of the agency;
9) If the agency or worker believe they are creating an employment relationship;
10) If the worker is in the same business as the agency.

An agency such as the RTA needs to be mindful of these factors in defining staff as employees or independent contractors. For instance, if the RTA hires a full administrative complement of individual contractors to perform core administrative functions, then these workers would likely be considered employees under the federal and state law.

Absent context, it cannot be said that it is better to work with employees or independent contractors. Rather, each relationship has advantages and disadvantages.

In pursuit of the most effective service, the RTA would have more direct control of employees than over independent contractors, who could reject requests to amend the contract or scope of work. On the other

[9] *FedEx Home Delivery v. National Labor Relations Board*, 849 F.3d 1123, 1125 (D.C. Cir. 3/3/2017). See also *Pennsylvania Interscholastic Athletic Association, Inc.*, 365 NLRB No. 107 (N.L.R.B. 7/11/2017). State and federal law provide various definitions of independent contractor or employee status that turn on fact-dependent analysis. See *Theodore v. Krazy Korner*, 95 So. 3d 572, 574–75 (La. App. 4 Cir. 5/23/12) and *Keller v. C.I.R.*, 103 T.C.M. (CCH) 1298 (T.C. 2012).

hand, restrictions in the job descriptions among civil service employees might limit the flexibility of the RTA to respond to demands in real time, and so employees could be considered less flexible.

The RTA also strives at all times to remain accountable to the public. To this end, there is more transparency to actions by public employees (i.e., public records and open meeting laws). On the other hand, there may be a benefit to the RTA in distributing liability with an independent contract, or the independent contractor may provide indemnity protections to the RTA. By handing over duties and the associated responsibilities to an independent contractor, the public may not have the same degree of access to the inner workings and decision making by the vendor.

As stewards of public funds, the RTA must also consider cost and efficiency of services. The National Academies of Sciences, Engineering, and Medicine's 2018 report on fixed route bus transit references prior studies that indicate cost savings associated with contracted bus operations. The amount depends on factors such as agency size, peak-to-base ratio, and bus operator wage gap. The report further notes, however, that officials from national and local unions view these savings as, "almost entirely from lower wages and benefits paid by the private companies to employees." Accordingly, while there is a benefit to reduced labor costs associated with independent contractors, this may result in low morale or resentment in the workforce, and ultimately lead to conflicts with labor. In our study of the peer group cities, neither the operated nor the contracted structures dominates in terms of costs.

In addition to immediate needs like effective, efficient service that is accountable to the public, the RTA should also strive to address the long-term interests of the community. This requires the RTA to continually evolve and remain engaged with local stakeholders. To this end, employees who have a vested interest in the community and who are expected to remain with the RTA for the long-term are better suited. On the other hand, an independent contractor, with experience providing specialized services to multiple transit agencies, may be able provide needed expertise. This factor largely speaks to the cultural aspects of working for the RTA, and whether that culture is oriented towards addressing long-term community needs, rather than focusing on short-term challenges.

Table 7 below presents these tradeoffs that follow from the choice between employees or independent contractors, with an "X" indicating the advantage.

Table 7: Employees vs. Independent Contractors

Goals	Attribute	Employee	Independent Contractor
Effective Service	Control	X	
	Flexibility		X
Accountability	Transparency	X	
	Distributed Responsibility		X
Efficient Service	Morale	X	
	Labor Costs		X
Serves Local Needs	Stability	X	
	Specialization		X

From this analysis of tradeoffs, it is apparent that operations and maintenance functions are better suited for an independent contractor, while administrative functions are better suited for employees, as shown in **Table 8** below.

Table 8: Conclusions about Employees vs. Independent Contractors

Employee	Independent Contractor
Control	Flexibility
Transparency	Distributed Responsibility
Morale	Labor Costs
Stability	Specialization

The advantages associated with employment (i.e., control, transparency, morale, and stability) are integrally associated with the ideal function of administration, where the long-term integrity of the agency is priority. The advantages associated with independent contractor status (i.e., flexibility, distributed liability, labor costs, specialization) are important for operations and maintenance functions that allow the RTA to "do more with less" without undermining public trust in the Agency. Of note, it is far more common for transit agencies to contract for operations and maintenance services than to contract for administration and management.

Moreover, the factors indicative of employment status, as opposed to independent contractor status, are more readily applicable to individuals who would be performing administrative functions. For instance, hiring salaried personnel to perform core administrative work on indefinite contracts would likely be considered as hiring employees under state and federal law. On the other hand, hiring a self-managed contractor for a fee to perform operations and maintenance on a contract with a limited term would likely be considered as hiring an independent contractor.

Vendor payments in this hybrid model would have to be negotiated. The "best" variation of the hybrid model will depend on the market response and the flexibility for responses by different types of vendors (provider entity as for-profit, non-profit, wholly-owned subsidiary, etc.), via the RFP procedure, which will optimally result in an operations and maintenance provider that offers the best value to the RTA.

Our analysis of advantages and disadvantages will be limited to an examination of Hybrid Model (a), where the RTA hires administrative staff and contracts for operations and maintenance services. Hybrid Model (a) will be the focus of our analysis because this variation best optimizes the features of employee and independent contractor relationships.

3.3 Directly Operated Model

The directly operated management structure specifies that the RTA would provide operations and maintenance, as well as administrative services. Under this structure, the benefits of the administrative functions being performed by employees would be gained, but the benefits of the independent contractor performing operations and maintenance would be lost. Thus, the hybrid model seems to be superior.

3.4 Common Factors to All Three Management Structures

Research and prior reports on RTA operations have identified several legal and operational factors that are common to each of the management structures. These factors must be accounted for regardless of the model chosen. This section will enumerate the common factors and their characteristics.

Common Legal Factors

Louisiana Code of Government Ethics (La. Revised Statutes Title 42 §1101, *et seq.*)

- Prohibits public employees from participating in transactions involving an apparent conflict of interest, and from receiving compensation from a source other than the agency.
- Definition of "public employee" includes RTA employees but would also include independent contractors who are performing "government functions." See *Commission on Ethics for Public Employees vs. IT Corp.*, 423 So.2d 695 (La. App. 1 Cir. 10/12/1982) and Ethics Board Docket No. 2009-379.
- FTA Master Grant Agreement requires that the RTA establish and maintain written Standards of Conduct covering conflicts of interest, and must assure that subrecipients (i.e., third-party contractors) do so as well.
- With regard to the following advantages and disadvantages, the factor of maintaining written Standards of Conduct is presented in terms of "complexity" of oversight. For direct employees of the RTA, who are on notice *prima facia* of their status as public employees, minimal management of these written Standards of Conduct may be required, since the Ethics Code itself provides the standards and the Office of Inspector General has jurisdiction to pursue violations. For independent contractors, however, the RTA must perform oversight to ensure that the contractor maintains a written Standard of Conduct which covers organizational conflicts, and which provides adequate notice to those persons performing government functions. The level of required oversight will ultimately depend on the specific contractual vehicle that is used. For instance, as was the case for Transit Management Services of Southeast Louisiana, Inc. ("TMSEL"), an agreement by an independent contractor that the Louisiana Code of Government Ethics applies to their contract could help reduce the required oversight, especially if the independent contractor functions as a wholly-owned subsidiary and would thus likely be divested of organizational conflicts.

"13(C)" Mass Transit Employee Protections

- When federal funds are used to acquire, improve, or operate a public transportation system, federal law requires arrangements to protect the interests of transit employees.
- Title 49 U.S.C. §5333(b), formerly known as 13(c), specifies that these protective arrangements must provide for:
    - Preservation of rights and benefits of employees under existing collective bargaining agreements;
    - The continuation of collective bargaining rights;

    - The protection of individual employees against a worsening of their positions in relation to their employment;
    - Assurances of employment to employees of acquired transit systems;
    - Priority of employment; and
    - Paid training or retraining programs.
- 13(c) agreement between the City of New Orleans, NOPSI, ATU Local Division 1560, was executed on August 23, 1978, and is included by reference in every FTA grant agreement as a condition for receiving funds.
- *Any change to the management structure, including a change to a different delegated management vendor, will require counsel review of the "13(c)" and other collective bargaining agreements, and will require development of a compliant transition plan.*
- If any cost reduction results from reducing worker benefits by choosing one management structure over another, such cost reduction may simultaneously risk a grievance that triggers compulsory binding arbitration, so this factor is considered neutral when considering the advantages and disadvantages of different management structures. Continuing with a delegated management structure under the same terms, which is not recommended, may not require a transition plan to mitigate the risk of a 13(c) grievance. However, the delegated management structure requires oversight as the RTA bears financial responsibility for any 13(c) dispute.

<u>Strategic Mobility Plan</u>

The RTA has recently developed and adopted a ***Strategic Mobility Plan*** that establishes a vision for local and regional public transit services into the future. For due diligence purposes, project staff reviewed the substance of the plan to ascertain whether the goals, objectives, and action steps specified would suggest an affinity for one of the management structures being analyzed. The comprehensive review of the plan indicated the substance of the plan is neutral in regard to an RTA management structure. In other words, the ***Strategic Mobility Plan*** is not an influencing factor in the selection of an RTA management structure.

<u>Common Operational Factors</u>

Management Partners' ***Oversight Guide*** report of 2017, previous work by TMG Consulting, and studies of industry best practices and peer agency transit operations have enabled the project team members to specify 92 administrative and operations and maintenance activities that must be carried out regardless of the management structure chosen. A schematic that itemizes the activities and displays the distribution of responsibility for each of the activities according to structure is shown as **Table 9**. Regardless of the model, these activities must be carried out to provide a high-performance transit system. The only variable is whether the activity is the responsibility of a vendor or RTA staff or shared in either a meet and confer initiator role or a meet and confer advisory party role.

Research conducted by TMG Consulting and Management Partners' ***Oversight Guide*** report indicate that regardless of the management structure chosen, the RTA must have additional staff over and above the current Board Secretary and the Interim Executive Director. It is important to note that current state legislation specifies that all RTA staff except for five unclassified positions (for example, Executive Director/Chief Administrative Officer, Director of Operations, Director of Agency Affairs, Director of Public Policy, and Chief Financial Officer) are required to use the state's civil service process. For examples, see **Appendix E**. Peer agency research indicates that staff in transit agencies responsible for purchasing

operations, maintaining transit systems, and administrative services employ an average of eight professional staff for oversight of vendors.

Regardless of the management structure, the following activities would be procured by RTA staff and provisioned by a vendor different than the operations and maintenance or administrative services vendor: legal services; architectural and engineering and professional services; fuel and lubricant services; security services; auditing and financial reporting in accordance with state law; advertising and sales program; and third-party claims administration.

Past academic research suggests that moderate cost savings, ranging from 0% to 40% per service unit, can be achieved by contracting for some or all transit service. However, results vary widely between studies, and cost savings are heavily influenced by other factors that vary among service areas, including the compensation gap between public and private sector workers, service characteristics of the transit system, the agency size, and whether the agency engages in partial or full contracting. The project team's focused research of 13 peer agencies using the most recent data reported in the National Transit Database indicates no direct relationship between contracting for service and any of the cost metrics examined. The advantages and drawbacks listed in this report have been developed through a combination of the team's peer agency analysis and the information presented in the National Academies of Sciences, Engineering, and Medicine's 2018 report.

In all three variations of management structure, capital cost for facilities, rolling stock, and capital equipment would be the responsibility of the RTA.

RFP Preparation

The unanimous conclusion from the research conducted is that the most important step to be taken in contracting for services is detailed preparation of the RFP. There are many factors to be considered for inclusion in the RFP, and consideration should be given to review of peer agency contract documents and expert advice of consultants in drawing up the document. This is true even in the directly operated management structure since there would still be several activities that would likely be provided by a vendor. These include legal services, architectural and engineering and professional services, auditing and financial reporting services, and likely others as well. Moreover, the feasibility of transitioning to the recommended management structure may require interim steps. These must all be evaluated as the RFP is developed.

In its 2018 report on Fixed Route Bus Transit, The National Academies of Sciences, Engineering, and Medicine provide an excellent synopsis of lessons learned by peer agencies in the RFP process. It should be mandatory reading prior to preparing the RFP.

3.5 Advantages and Disadvantages of Management Structures

The following section summarizes the legal, operational, and financial advantages and drawbacks of each management structure. These summaries have been developed through peer agency research, industry experience, and best practice research as reported by the National Academies of Sciences, Engineering, and Medicine and the National Transit Database, previous experience and analysis of the RTA by Management Partners and TMG Consulting, legal decisions made by the courts, and state legislation.

Delegated Management Model

Advantages

1. The National Academies of Science, Engineering, and Medicine reports in 2018 the following advantages for fixed route bus transit based on their survey:
    a. Access to contractor expertise;
    b. Simplicity;
    c. Greater flexibility;[10]
    d. Less costly;
    e. Limited liability;[11]
2. State civil service processing for operations and maintenance or vendor-provided administrative service staff is not required;
3. Fewer RTA staff required.

Drawbacks

1. The National Academies of Science, Engineering, and Medicine reports the following drawbacks to delegated management:
    a. Unwillingness to work with agency;
    b. Lack of control;
    c. Poor contractor performance;
    d. Different cultures;
    e. Need for oversight with limited staff;
    f. Inclusion and willingness to use penalties for poor performance;
    g. Consensus on rewards for overachievement.
2. Does not leverage $500,000 statutory limitation for general damages in personal injury/wrongful death suit against a political subdivision (La. R.S. 13:5106);[12]
3. Complexity of computing and verifying profit and overhead, pass-through cost, incentive payments, and penalties and rewards, especially considering that vendor is performing administrative functions which require oversight and evaluation;

[10] The survey defined flexibility as "contractor's agility in making changes without increasing the number of public employees, use of different sized vehicles, and practice of experimenting with new routes." Considering that the New Orleans City Council must approve route changes, and vehicle purchases must be approved by the RTA Board, then this "flexibility" may only refer to the rigidity imposed by state civil service. If so, this benefit is redundant to the first advantage for delegated management.

[11] This potential advantage depends on the terms of transit management agreement.

[12] Transit Agreement Between City of New Orleans and Regional Transit Authority dated June 28, 1983 states: "*The RTA shall, either directly or through contract with a competent management firm, provide for the most efficient and cost-effective method for the provision of services pursuant to this contract for the transit system in the City of New Orleans. The City concurs in RTA's selection of ATE Management & Service Co. Inc. (ATE) to provide transit services. The RTA shall require ATE to furnish certificates of insurance from companies licensed to do business in Louisiana for the following purposes and in the following amounts: one million ($1,000,000) dollars to protect RTA against dishonesty or fraudulent acts of ATE employees; three million ($3,000,000) dollars coverage for errors and omissions; and twenty million ($20,000,000) dollars casualty coverage.*"

4. Oversight required to ensure that written standards of conduct are developed and maintained to monitor and resolve potential violations of the Louisiana Code of Government Ethics by delegated manager and its employees who are performing government functions;
5. Cost of profit and overhead;
6. Farebox revenue security and monitoring;
7. Absent strong oversight and sanctions, there is potential for a delegated management vendor to engage in neglect, misfeasance, malfeasance, or even sabotage should a new vendor be selected to replace them—i.e., transitional vulnerability;
8. Stability.

Hybrid Model

Advantages

1. Less complex RFP compared to delegated management;
2. Less oversight complexity compared to delegated management;
3. More continuity of administrative staff allows for more flexibility in future operations and maintenance vendor selection compared to delegated management;
4. RTA Board-controlled oversight and monitoring of vendor performance;
5. Stricter vendor accountability for performance;
6. Existing mechanisms to monitor and enforce Louisiana Code of Government Ethics apply to RTA staff performing administrative functions;
7. Few, if any, vendors would be performing government functions that would require oversight to monitor conflicts of interest;
8. Limited liability;[13]
9. Discretion to procure on-and-off specialized vendors for administrative services to develop creative solutions.

Drawbacks

1. Identification and creation of organization structure to deliver administrative services;
2. Requires either application of state civil service process or new legislation exempting RTA administrative employees from civil service process;
3. Complexity of computing and verifying profit and overhead, pass-through cost, incentive payments, and penalties and rewards, although responsibility would be less than in delegated management because here the vendor is only performing operations and maintenance functions;
4. Cost of profit and overhead, depending on for-profit status of contracting entity;
5. Farebox revenue security and monitoring, although the additional RTA staff with this model would be available to provide oversight and accounting measures;
6. Does not leverage $500,000 statutory limitation for general damages in personal injury/wrongful death suit against a political subdivision (La. R.S. 13:5106);[14]
7. Oversight required to ensure that written standards of conduct are developed and maintained to monitor and resolve potential violations of the Louisiana Code of Government Ethics by

[13] This potential advantage depends on the terms of transit management agreement.
[14] See footnote 12.

operations and maintenance contractor and its employees who are performing government functions, if any.

Directly Operated Model

Advantages

1. Control over operations;
2. Greater ease and speed in changing the scope of work, such as service modifications and improvements;[15]
3. No profit and overhead cost;
4. No vendor payment complexity;
5. Better farebox revenue security and monitoring;
6. No differences in culture;
7. No vendor penalties or rewards to administer;
8. Existing mechanisms to monitor and enforce Louisiana Code of Government Ethics apply to RTA staff;
9. A $500,000 statutory limitation for general damages in personal injury/wrongful death suit against political subdivision (La. R.S. 13:5106);[16]
10. Discretion to procure on-and-off specialized vendors for administrative services to develop creative solution.

Drawbacks

1. Labor-intensive effort to build and staff organization; may require an interim hybrid structure that continues to procure some services from a vendor;
2. Complexities of selection of organization structure for delivering services;
3. Requires either application of state civil service process or new legislation exempting RTA employees from civil service process;
4. The National Academies of Science, Engineering, and Medicine reports that this model is costlier than the delegated management model (however, it should be noted that our focused research concludes that there is no cost advantage to either model);
5. Lack of access to vendor expertise;
6. No distribution of liabilities.

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[15] Transit Agreement Between the City of New Orleans and Regional Transit Authority dated June 28, 1983 requires that the City Council approve fare and route changes: "*In the motion adopting, fixing, establishing, altering or changing any fares or any given routes within the Parish of Orleans, the RTA shall provide that said fare or route alteration shall not become effective until Council approval of such fare increase or route alteration by a majority of all members of the New Orleans City Council has been received . . . The RTA shall submit with such fare increase or route alteration an economic analysis of the need therefore and a budget appropriation ordinance requesting an amount necessary to balance the budget in the event that the fare increase or route change is not approved by the Council*."

[16] See footnote 12.

4. Recommendations

The project scope of work directs Management Partners and TMG Consulting to analyze the advantages and drawbacks of the three management structures designated. Based on research into industry best practices and information found in the National Transportation Database, published research approaches to fixed bus route provision, peer jurisdiction experience, and previous analysis of RTA operations by Management Partners and TMG Consulting, the project team recommends **Hybrid Model (a)** as the most advantageous management structure for the RTA.

Hybrid Model (a) specifies that RTA management and administrative services would be carried out by permanent staff of the RTA, not a vendor. Public transit operations and maintenance services would be contracted to a vendor under a carefully drawn, transparent, and competitive request for proposals process. Certain designated administrative responsibilities such as legal counsel, consulting services, and claims processing would also be contracted to other expert vendors at the Agency's discretion.

4.1 Rationale

The objective of the selection of the RTA's management structure should be to optimize the opportunity for continuous improvement in the quality of local and regional public transit at a reasonable cost. The project team, through its analysis and discussions with peer transit agencies, concludes that there are several key characteristics of Hybrid Model (a) which will increase the potential for achieving a culture of ongoing improvement.

One of the most critical characteristics is to promote competition for operating and maintaining public transit service. Operations and maintenance are, after capital investment, the single biggest factor impacting quality of service. Competitively contracting for such services over an articulated cycle offers the greatest potential for industry interests to propose their best approaches for putting state-of-the-art practices into place in the RTA service area. Such a competitive environment enhances the potential for continuous service improvement.

Competition among vendors also encourages creative approaches to public transit, both in terms of leading-edge practices and also in vendor characteristics. For example, different types of vendors may compete for the contract to provide and maintain public transit. Experienced international and national transit firms should show interest. There could also be opportunities for non-profit firms to incorporate to provide public transit. A quasi-public vendor, such as a TMSEL-like agency, may be able to establish its bona fides as a preferred vendor. In other words, encouraging competitive operating and maintenance proposals serves as the baseline for a management structure going forward.

Although the RTA has stressed that the factor most important to the selection of a management structure is service quality rather than lowest cost, the competitive process for operations and maintenance should also have a favorable impact on expense issues. At a minimum, the competitive process will define the tradeoffs between quality and cost and position the RTA to make fully informed decisions about service quality. The competitive process could also compel responders to provide the best service at the lowest cost.

Another pivotal characteristic of Hybrid Model (a) is the permanent management and administrative staff of the RTA. As seen in **Table 9** of this report and described in detail in Management Partners' ***Oversight Guide*** report of 2017, there are at least 92 activities that must be performed for efficient and effective governance, management, and administration of the public transit system.

Historically, the RTA has attempted to execute these activities with a staff of two persons (one of whose duties have been primarily ministerial) while contracting nearly all management and administration to a delegated manager and/or expert vendors. Given the impact of Hurricane Katrina and the need for speedy recovery, the use of a delegated management arrangement for getting the system up and running was driven by expediency. Circumstances are now different, and it is apparent that continuity, transparency, accountability, and a permanent culture of continuous improvement are characteristics that should be embedded in a management structure. Such characteristics can best be realized with a permanent cadre of staff, loyal to the RTA, which strongly identifies with the residents of the service area and aligns with the interests of the community.

A permanent staff cadre which develops institutional experience and memory over time will facilitate the competitive operations and maintenance process well into the future and provide the daily stability that makes it easier to focus on continuous advancement.

The project team has conducted detailed research on the options for creating the permanent staff cadre for the RTA and has concluded that it must consist of RTA employees. The Internal Revenue Service (IRS) rules and regulations explained in detail earlier lead clearly to the conclusion that if continuity, control over methodology, direction of work, transparency, and accountability of staff are critical characteristics (as we have identified them to be), staff will be declared as RTA employees under IRS statutes.

The project team recognizes that building a permanent staff cadre is a significant undertaking. Under current Louisiana law, the RTA may employ up to five unclassified employees, which could perform functions—for example: Executive Director/Chief Administrative Officer,[17] Director of Operations, Director of Agency Affairs, Director of Public Policy, and Chief Financial Officer. The RTA may also employ under the State Civil Service Code such positions as necessary for its operation.

Analysis of the State Civil Service Code indicates that under Rule 24.2, a nongovernmental employee may earn a noncompetitive appointment to a civil service position subject to meeting the position qualifications and passing the required test. Rule 24 significantly smooths and shortens the pathway for the RTA to build a permanent administrative staff cadre. See full text of Rule 24.2 in **Appendix C**.

Rule 24.2 provides the advantage of being able to determine which current staff employed by the delegated management vendor with management and administrative responsibilities would be capable of and desirable for transitioning to RTA employment in an appropriate capacity. Retaining the staff currently performing administrative and support functions would enhance the institutional experience and memory factor. It would shorten the hiring process and reduce the intensity of the search for staff. It should also reduce anxiety among current staff, shore up morale, and help maintain productivity.

[17] By-Laws of the Regional Transit Authority, as amended through July 31, 1995, at Section 8 states that the Board shall appoint an Executive Director/Chief Administrative Officer who shall constitute the general manager of the RTA within the meaning of La. R.S. 48:1655(L).

Alternatively, the Agency could endeavor to amend the existing legislation to allow it to employ more unclassified, or even all unclassified employees to administer the transit system. This might amount to as many as 40 new unclassified positions. The attempted amendment might be opposed by various groups such as the Louisiana Civil Service League and similar public interest groups; this might make the amendment problematic. If the need for additional unclassified employees becomes evident after the hybrid structure is implemented, and it can be demonstrated that this need cannot be fulfilled under state civil service, then the RTA should make a concerted effort to amend the legislation. This effort would include convincing individual legislators of the need as well as public interest groups.

A detailed organization plan of the administrative cadre was not an element of the scope of work of this study, so any discussion of the cost would not be appropriate. In any event, discussion of administrative cost would have to be conducted through comparison to the administrative cost of the current vendor. In that context, the project team would only observe that with the current delegated management agreement payments to the vendor include a profit and overhead factor for its administrative cost. In the hybrid model recommended there would be no profit and overhead element to the administrative cost. Additionally, using a Request for Proposals competitive selection process that evaluates financial factors such as overhead, profit, and other cost elements in the selection of an operations and maintenance vendor should lead to a best-value vendor given conditions existing within the transit system at the time of procurement.

Another advantage that weighs heavily with the project team in recommending Hybrid Model (a) is the enhanced capacity for monitoring the performance of the operations and maintenance vendor as well as other expert vendors engaged by the RTA. The project team has noted the importance of a tightly prepared and detailed RFP. A best practice for this RFP would be to include performance measures and standards. Systematic reporting to stakeholders on vendor performance using performance standards is a base requirement for achieving continuous improvement. Staff capacity to independently monitor and report on performance and require corrective action plans when appropriate is a crucial advantage of Hybrid Model (a).

In summary, after weighing the advantages and drawbacks of each management structure, the project team recommends selection of Hybrid Model (a) as the structure best suited for improving local and regional public transit well into the future.

4.2 Sample Timeline

The project team's research indicates it is important to define a timeline for implementing its recommendation for the management structure. **Table 10** presents a sample timeline graphically.

To assure an orderly transition to the recommended management structure, it is necessary to begin action promptly. The first step that should be taken, as early as October of 2018, is to employ the full complement of RTA management staff: Executive Director/Chief Administrative Officer, Director of Agency Affairs, Director of Operations, Director of Public Policy, and Chief Financial Officer. (The RTA already employs an acting Interim Executive Director and a permanent Secretary.) Employing these personnel will provide at least a minimum of RTA staff to direct the action steps that must be implemented to migrate to the recommended management structure.

To be sure, it will be necessary to augment this small RTA staff with appropriate expert vendors to maintain the necessary pace of implementation. Onboarding those vendors to develop an appropriate request for proposals, supporting the vendor selection process, supporting the administrative staffing process, assisting with transition issues, communicating with stakeholders, and other implementation steps should begin promptly and be in place prior to the end of the year. The milestones projected in the attached timeline should be monitored for progress by the RTA staff with reports on implementation at each RTA Board meeting going forward.

The timeline assumes approval of the Hybrid Model (a) management structure by the RTA Board with implementation of the new contract to coincide with the expiration of the current contract on August 31, 2019. Although the timeline is rigorous, there is some slack built into its progression, making the timeline doable. For example, a 60-day overlap/transition window is included for the months of July and August 2019 if transition is an outcome of the competitive process. The target date of early March for selection of the operations and maintenance vendor leaves five full months for implementing the transition plan, if transition is necessary. Initiating the staff cadre hiring process in December of 2018 provides eight months to come to full complement.

4.3 Conclusion

As documented in this report, the three management structures directed for consideration by the RTA Board each has advantages and drawbacks. Based on detailed research and analysis, the project team recommends that **Hybrid Model (a)** be implemented as the management structure that will have the greatest potential for creating a continuously improving local and regional public transit system.

Table 9: RTA Governance, Management, & Administrative Activities Schematic

LEGEND

- (Yellow) Activities carried out as equal partners in the endeavor (achieve consensus)
- (Orange) Activities in a meet and confer mode (initiative responsibility)
- (Blue) Activities in a meet and confer mode (advisory role)
- (Green) Activities designated as sole responsibility (not shared)

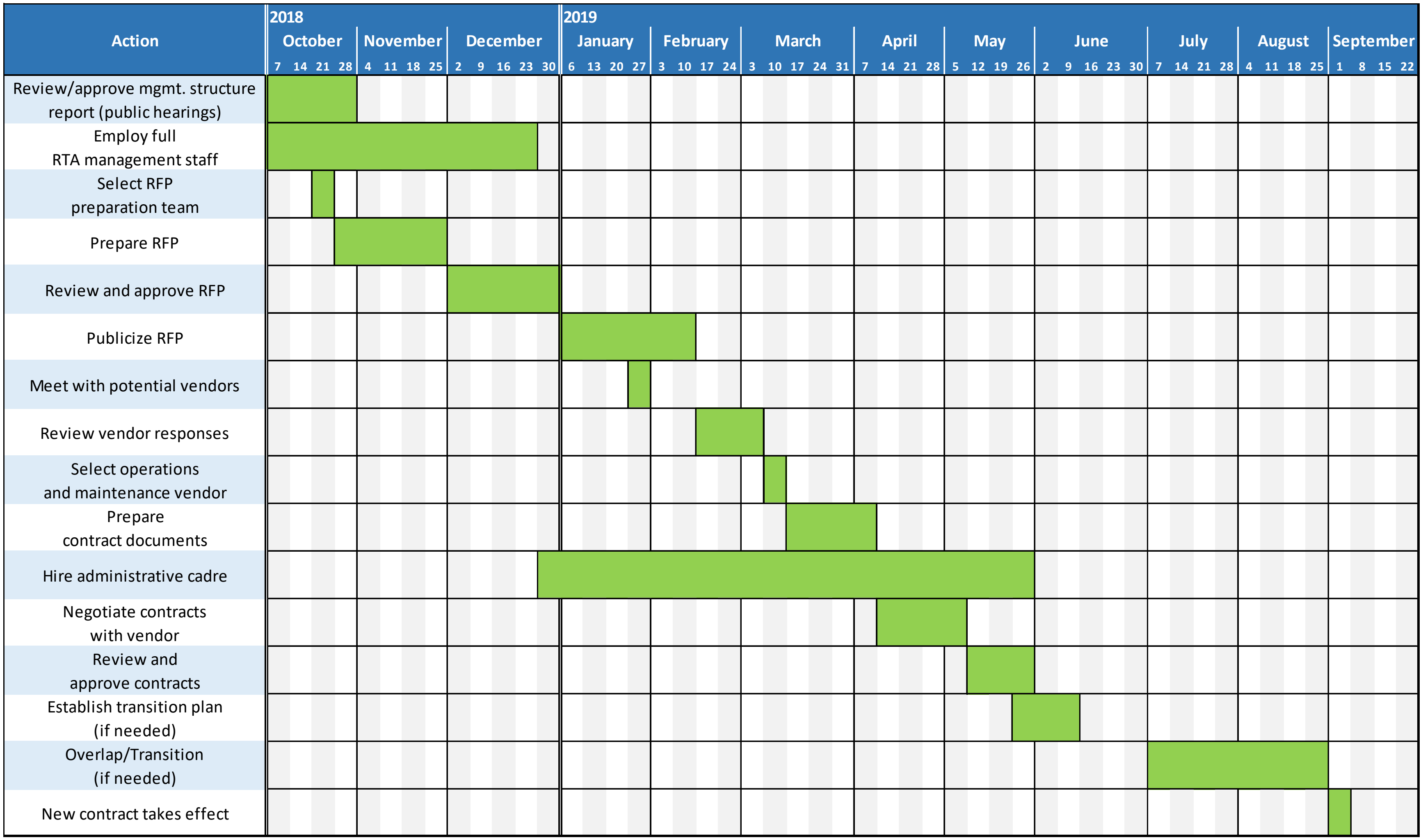
"Vendor" indicates primary vendor (Delegated, Hybrid).
"Other" indicates third-party specialized vendor(s).

No.	Activity Description	Delegated Management	Hybrid Model	Directly Operated
1	Conduct annual strengths, weaknesses, opportunities, threats (SWOT) analysis	Vendor & RTA	Vendor & RTA	RTA
2	Prepare recommended annual operating budget (Annual Plan)	Vendor & RTA	Vendor & RTA	RTA
3	Update one, five, and twenty-year capital budgets	Vendor & RTA	Vendor & RTA	RTA
4	Prepare recommended annual capital budget	Vendor & RTA	Vendor & RTA	RTA
5	Analyze current & emerging service demand and travel patterns and gaps in service	Vendor & RTA	Vendor & RTA	RTA
6	Update one, five, and twenty-year systems operations plan	Vendor & RTA	Vendor & RTA	RTA
7	Prepare recommended annual systems operations plan	Vendor & RTA	Vendor & RTA	RTA
8	Prepare facilities utilization plan	Vendor & RTA	Vendor & RTA	RTA
9	Prepare change in services report	Vendor & RTA	Vendor & RTA	RTA
10	Update long-range financial plan	Vendor & RTA	Vendor & RTA	RTA
11	Prepare strategic plan progress report	Vendor & RTA	Vendor & RTA	RTA
12	Prepare performance measures and standards	Vendor & RTA	Vendor & RTA	RTA
13	Update Information Technology Master Plan	Vendor & RTA	Vendor & RTA	RTA
14	Calculate and document fixed fee	RTA	RTA	RTA
15	Calculate and document variable fee	RTA	RTA	RTA
16	Calculate and document platform rate and hours	RTA	RTA	RTA
17	Itemize vendor pass-through costs for annual plan	RTA	RTA	RTA
18	Specify incentive payment plan	RTA	RTA	RTA
19	Review and approve annual operating budget (Annual Plan)	RTA	RTA	RTA
20	Review and approve annual capital budget	RTA	RTA	RTA
21	Review and approve five and twenty-year capital budgets	RTA	RTA	RTA
22	Review and approve annual systems operations plan	RTA	RTA	RTA
23	Review and approve five and twenty-year systems operations plan	RTA	RTA	RTA
24	Review and approve fixed fee calculation	RTA	RTA	RTA
25	Review and approve variable fee calculation	RTA	RTA	RTA
26	Review and approve platform rate and hours	RTA	RTA	RTA
27	Review and approve vendor pass through costs	RTA	RTA	RTA
28	Review and approve incentive payments plan	RTA	RTA	RTA
29	Review and approve facilities utilization plan	RTA	RTA	RTA
30	Review and approve change in services report	RTA	RTA	RTA
31	Review and approve performance measures and standards	RTA	RTA	RTA
32	Prepare and assign responsibility for projects to be initiated in the coming year	RTA	RTA	RTA
33	Articulate continuous improvement goals	RTA	RTA	RTA
34	Develop community engagement plan	Vendor & RTA	Vendor & RTA	RTA
35	Develop Disadvantaged Business Enterprise goal/achievement plan	Vendor & RTA	Vendor & RTA	RTA
36	Develop Call Center standards plan	Vendor & RTA	Vendor & RTA	RTA
37	Develop marketing and communications plan	Vendor & RTA	Vendor & RTA	RTA
38	Develop standards for driver customer service and vehicle appearance	Vendor & RTA	Vendor & RTA	RTA
39	Develop secret shopper plan	RTA	RTA	RTA
40	Review and approve community engagement plan	RTA	RTA	RTA
41	Review and approve DBE goal/achievement plan	RTA	RTA	RTA
42	Review and approve call center standards plan	RTA	RTA	RTA
43	Review and approve marketing and communications plan	RTA	RTA	RTA

No.	Activity Description	Delegated Management	Hybrid Model	Directly Operated
44	Review & approve standards for driver customer service and vehicle appearance	RTA	RTA	RTA
45	Review and approve secret shopper plan	RTA	RTA	RTA
46	Prepare monthly performance reports as specified	Vendor & RTA	Vendor & RTA	RTA
47	Prepare monthly Finance Committee agenda	Vendor & RTA	Vendor & RTA	RTA
48	Prepare monthly Operations and Administration Committee agenda	Vendor & RTA	Vendor & RTA	RTA
49	Prepare documents/reports for monthly Finance Committee meeting	Vendor & RTA	Vendor & RTA	RTA
50	Prepare documents/reports for monthly Operations & Administration Committee mtg.	Vendor & RTA	Vendor & RTA	RTA
51	Prepare monthly RTA Board meeting agenda	Vendor & RTA	Vendor & RTA	RTA
52	Prepare documents/reports for monthly RTA Board meeting	Vendor & RTA	Vendor & RTA	RTA
53	Manage procurements	RTA	RTA	RTA
54	Process invoices/manage accounts payable	RTA	RTA	RTA
55	Monitor, analyze, review and approve project change orders	RTA	RTA	RTA
56	Maintain financial records	RTA	RTA	RTA
57	Maintain Board/Committee records	RTA	RTA	RTA
58	Provide human resources services as needed	Vendor	Vendor & RTA	RTA
59	Calculate and approve payments to vendor for fixed fee	Vendor & RTA	Vendor & RTA	RTA
60	Conduct monthly "true up" analysis and adjust fees as determined	Vendor & RTA	Vendor & RTA	RTA
61	Calculate and approve payments to vendor for variable fee	Vendor & RTA	Vendor & RTA	RTA
62	Calculate and approve incentive payments to vendor	Vendor & RTA	Vendor & RTA	RTA
63	Calculate and approve pass through costs to vendor	Vendor & RTA	Vendor & RTA	RTA
64	Monitor/audit platform hours performance	RTA	RTA	RTA
65	Execute and monitor community engagement plan	Vendor & RTA	Vendor & RTA	RTA
66	Execute and monitor facilities utilization plan	Vendor & RTA	Vendor & RTA	RTA
67	Execute and monitor DBE goals and achievement plan	Vendor & RTA	Vendor & RTA	RTA
68	Execute and monitor call center standards plan	Vendor & RTA	Vendor & RTA	RTA
69	Execute and monitor secret shopper plan	Vendor & RTA	Vendor & RTA	RTA
70	Execute and monitor driver customer service and vehicle appearance plan	Vendor & RTA	Vendor & RTA	RTA
71	Prepare RTA Annual Financial Report and Audit	RTA	RTA	RTA
72	Perform annual "true up" analysis	RTA	RTA	RTA
73	Issue invoice to vendor as determined by annual "true Up" analysis	RTA	RTA	RTA
74	Provide daily bus rapid transit service in accordance w/approved systems operations plan	Vendor	Vendor	RTA
75	Provide daily streetcar transit service in accordance w/approved systems operations plan	Vendor	Vendor	RTA
76	Provide daily paratransit service in accordance w/approved systems operations plan	Vendor	Vendor	RTA
77	Provide daily ferry service in accordance with approved systems operations plan	Vendor	Vendor	RTA
78	Collect and manage fare revenue	Vendor & RTA	Vendor & RTA	RTA
79	Account for fare revenue	RTA	RTA	RTA
80	Provide maintenance services for RTA fleet	Vendor	Vendor	RTA
81	Provide RTA Legal Services	RTA & Other	RTA & Other	RTA & Other
82	Provide RTA Architectural and Engineering Services	Vendor & RTA	Vendor & RTA	RTA & Other
83	Provide fuel and lubricants procurement	RTA & Other	RTA & Other	RTA & Other
84	Monitor fuel/lubricant usage	RTA	RTA	RTA
85	Provide security services	RTA & Other	RTA & Other	RTA & Other
86	Provide financial auditing and reporting in accordance with law	RTA & Other	RTA & Other	RTA & Other
87	Manage advertising sales/program	RTA & Other	RTA & Other	RTA & Other
88	Manage consulting/expert services	RTA & Other	RTA & Other	RTA & Other
89	Manage tax revenue	RTA	RTA	RTA
90	Manage TMSEL Carryover Cost	RTA	RTA	RTA
91	Administer Risk Management Program	RTA & Other	RTA & Other	RTA & Other
92	Monitor Utility Costs	RTA	RTA	RTA

Source: Management Partners

Table 10: Sample RTA Management Structure Implementation Timeline *



Source: Management Partners

* This timeline exhibits one possible scenario. Based on RTA needs and resources, other timelines may be more appropriate.

Appendix A - Louisiana State Subdivision

As a regional agency operating in several parishes, the RTA was instituted as a subdivision of Louisiana state government. Besides the legal necessity to be a state subdivision because of its regional nature, there are a number of other benefits of operations as a regional entity, as detailed below.

1. For the transit patron, access to and seamless connectivity among the various areas of the metropolitan region by public transportation for both jobs, economic, and social purposes. Disconnected transit systems with different fare and transfer policies make job creation and economic growth more difficult for the city and its sister parishes.
2. For the local parish governments and the transit patron, sharing in the planning of the transit system to provide for the public transportation needs of the entire New Orleans region. Participation by the parishes will be encouraged as full members of the RTA with shared responsibilities.
3. For the local parish governments and the transit patron, sharing in the financing of the transit system.
4. For all concerned, effecting efficient transit operation by eliminating dual, redundant administrative, maintenance, planning, and management operations and related staff, facilities and equipment.
5. For all concerned, avoiding the image among state and federal agencies/funding authorities of the RTA as an agency benefitting a single parish.

Historically, recognizing these benefits, the federal Department of Transportation has encouraged the provision of transit services over a region including a metropolitan area such as the New Orleans metro area by a single regional governmental authority. The management structure selected should not hinder such an operation of transit in the New Orleans metropolitan area.

Appendix B - Key Milestones in the History of Transit Management of Southeast Louisiana, Inc. (TMSEL)

1978 13(c) agreement between the City of New Orleans, NOPSI, ATU Local Division 1560

(i) Protects Union employees against worsening caused by federal projects and preserves benefits by binding CBA to successor transit-contractors

(ii) Provides for compulsory binding arbitration for any dispute

1983 Letter of Acquisition dated March 17, 1983

(i) RTA acquired NOPSI and assumed 13(c) agreement

2001 Transit Management Agreement between RTA, Metro, and TMSEL

(i) "Metro agrees to furnish day-to-day management services as reasonably required by the RTA and as necessary for the efficient operation of the Transit System and facilities under policies, standards, and procedures established by Metro and/or the RTA."

(ii) States that TMSEL will adhere to Code of Government Ethics

(iii) Metro owned TMSEL

2004 La. Revised Statute 13:5102 designated TMSEL as a political subdivision for litigation purposes.

2005 Cooperate Endeavor Agreement (CEA) between RTA and Interregional Transit, Inc.

(i) Interregional Transit, Inc. was set up as a non-profit private entity with mission to assist RTA and minimize political interference

(ii) Required settling claims with Metro New Orleans Transit, Inc., who owned TMSEL at that time

(iii) Includes provisions to broaden RTA powers and oversight of TMSEL

2009 *Deville v. Regional Transit Authority*, CA No. 07-1345, 2009 WL 1393707 (E.D. La. 5/15/2009)

(i) Court rejected argument that RTA & TMSEL were a single enterprise

2012 Dissolution of CEA between RTA and Interregional Transit, Inc.

(i) States that TMSEL ceased operations in 2009 and no longer provides services

(ii) RTA immediately became owner of 100% of capital stock of TMSEL

(iii) RTA designates TMSEL as employer of all TMSEL employees, and to retain all responsibility for such employees

(iv) RTA becomes assignee of all TMSEL contracts and assumes responsibility for obligations arising out of the management and operation of the Transit System, except for obligations that do not comply with RTA policies and budget

2016 U.S. 5th Circuit found that TMSEL was a public agency such that it was exempt from laws governing private pensions (i.e. ERISA). *Smith v. RTA,* 827 F.3d 412 (5th Cir. 6/28/16).

(i) Holding may weaken benefits for future employees of a TMSEL-like entity, if they do not receive protections associated with either public or private pensions

(ii) May jeopardize independent contractor status of TMSEL, especially after transfer of assets in 2012

Appendix C - Louisiana State Civil Service Rule 24.2

24.2 Status of Non-classified Employees Whose Positions are Declared to be in the State Classified Service or are Acquired by a State Agency

(a) When a nongovernmental private organization or position, which is not subject to Article X is acquired by a State department as a result of a legislative act, constitutional amendment, judicial decree, or an executive order, or a government organization or position, which has been created by an executive order of the Governor, legislation, constitutional amendment, or a local authority, is declared to be in the State classified service by judicial decree or by order of the Commission or Director, an employee encumbering an affected position shall be appointed in the State classified service under this Rule if:
   1. His/her position is retained by the State agency, and the appointing authority of the agency certifies in writing to the Director that the retention is necessary for the continued efficient functioning of the acquiring agency, and such position falls within the State classified service;
   2. He/she is eligible for employment in the classified service;
   3. He/she is either employed in the position or is an employee of the acquired organization and has at least one year of continuous service as of the effective date of the transfer of the position or of the acquired agency to the State classified service provided that such effective date shall be the same effective date of the legislation, constitutional amendment, judicial decree, or commission order that initiated the action to classify the position, and in the absence of these directives, as of the date of the Director's order;
   4. He/she possesses the minimum requirements established for the class to which his/her position has been allocated, on the date of the notification to the agency of the original allocation of his/her position for probationary appointment;
   5. He/she attains a passing score on the appropriate test, within 180 days of the date of notification of the original allocation of his/her position for probationary appointment. After notifying the Commission, the Director may waive the passing of a written test provided:
      a. Either an appropriate test is not available or a review of the hiring and personnel practices of the entity indicates testing would be impractical and/or unnecessary; or
      b. A review of the person's application and personnel record reveals that he/she has successfully performed the duties of the same position for two years; or
      c. The appointing authority certifies that his/her performance has been satisfactory.
   6. Subject to Rule 17.3 and 17.15(e), when an agency acquires employees under this Rule and a layoff results, it shall neither exempt the acquired employees from a layoff, nor shall the acquisition of these employees prevent the appointment of classified employees from a Department Preferred Reemployment List.

(b) An employee who enters the State classified service in accordance with this Rule and who is employed as a classified employee of a governmental jurisdiction subject to a civil service article, statute or ordinance shall be appointed to the State classified service with the same

appointment status attained in the former service and such employee shall be exempt from the requirements in 24.2(a)3, (a)4 and (a)5. All other employees who enter the State classified service in accordance with this Rule shall be probationally appointed.

(c) An employee who enters the state classified service in accordance with this Rule, and who is employed with an organization that is being acquired in its entirety for the first time in the classified service, may be exempted from the requirements in (a)3, (a)4, and (a)5 by order of the Director, provided the employee occupies the same position with the acquired organization.
   1. The Director may order such exemptions only after a review of the hiring and personnel practices of the organization that is being acquired.
   2. When using this provision, the Director shall notify the Commission of his/her intention to apply it and, after using it, shall file a written report explaining the reasons therefore.
   3. The Director may still require certain employees to meet the requirements of (a)4 and (a)5.
   4. An employee acquired under this provision, except for those acquired under subsection (c) 3 above, will be considered to possess the minimum qualifications of the job in which acquired.

(d) An employee who enters the State classified service in accordance with this Rule shall have his/her pay established in accordance with Rule 6.17.

(e) An employee who enters the State classified service in accordance with this Rule shall have his/her leave credits determined as follows:
   1. An employee who is employed as a classified employee of a governmental jurisdiction subject to a civil service article, statute or ordinance shall have his/her annual and sick leave credits assumed by the acquiring agency; provided that only the amount of leave earned minus the amount taken, during the first year of the appointment authorized by the Director or Commission, may be paid upon separation in that year, except for separations caused by a layoff, medical disability, death or retirement. Upon entering the State classified service, he/she shall earn and be credited with leave benefits as provided elsewhere in these Rules.
   2. An employee of the state, so long as an official system of leave earning and use was maintained by the employer, shall have his/her leave credits determined as provided by Rule 11.19(d).
   3. Any other employee who enters the State classified service in accordance with this Rule shall be credited for unused annual and sick leave, not to exceed 240 hours of each, which had been earned by and credited to the employee on the date of his/her appointment to the State classified service so long as an official system of leave earning and use was maintained by the former employer; provided that only the amount of leave earned minus the amount taken by the employee, during the first year of the appointment authorized by the Director or Commission, may be paid upon separation in that year, except for separations caused by a layoff, medical disability, death or retirement.

(f) Compensatory time shall not be credited above what is legally required under FLSA to the employee.

(g) An employee who enters the State classified service in accordance with this Rule shall have his/her eligibility for performance adjustments under Rule 6.14 and leave earning determined

based on the original date of appointment with his/her current or former employer and, upon appointment in the State classified service. However, the Director may approve existing annual eligibility dates for all employees of an entity acquired under this rule, that already had a well-established merit pay policy.

(h) This Rule shall not apply to any employee who is illegally hired in either the State unclassified or State classified service as determined by the Commission after investigation by public hearing, or who is hired in the State unclassified service under the provisions of Rule 4.1(d)1, or who is voluntarily seeking employment in the State classified service.

(i) Upon request of an appointing authority, and/or when in its judgment sufficient and compelling reasons to do so have been presented, the Commission may apply the provisions of this Rule to situations not addressed herein.

(j) The Director may order an employee, who is subject to being brought into the State classified service under this Rule, to be placed on a special provisional appointment as provided by this subsection and such appointment shall:

1. be provided to allow the completion of the process necessary to determine if the employee may remain in the classified service and what requirements of this rule, and others if applicable, will have to be met; and
2. expire either upon probational appointment of the employee, or two years from the date the appointment was made, or upon cancellation by the Director.

Appendix D - Peer Analysis Data

Table 11 provides the source data for the metrics included in **Table 4** and ranked in **Table 11**. These data come from the National Transit Database and are for FY 2017, except for average bus headways, which are for CY 2016 and come from the Florida Transit Information System.

Table 11: Peer Summary Table, Total System Data from the National Transportation Database FY 2017

Location	Service Area Population*	Operating Expense*	Vehicle Revenue Hours*	Vehicle Revenue Miles*	Unlinked Passenger Trips (UPT)*	Farebox Revenue*	Vehicles Operated in Max Service	Passenger Trips per Service Area Capita	Farebox Recovery Rate	Operating Expense per Revenue Hour	Operating Expense per Passenger	Average Fare per Passenger	Passengers per Revenue Hour	Revenue Miles per Revenue Hour	Average BUS Headway (in minutes), 2016
New Orleans, LA	0.4	$117.8	0.8	8.1	19.9	$19.9	164	54	17%	$150	$5.93	$1.00	25	10	38
Austin, TX	1.2	$216.9	1.8	24.5	29.8	$23.0	720	24	11%	$123	$7.28	$0.77	17	14	18
Charlotte, NC	1.8	$123.3	1.1	16.3	25.0	$29.7	409	14	24%	$113	$4.93	$1.19	23	15	22
Chicago, IL	3.2	$1,414.8	9.9	125.9	479.4	$564.8	2,700	149	40%	$143	$2.95	$1.18	49	13	7
El Paso, TX	0.7	$64.8	0.7	10.4	13.4	$8.3	193	18	13%	$88	$4.85	$0.62	18	14	27
Glenwood Springs, CO	n/a	$30.5	0.3	4.7	4.8	$4.9	97	n/a	16%	$119	$6.32	$1.02	19	18	n/a
Jacksonville, FL	1.0	$96.8	0.9	13.1	12.7	$12.7	245	12	13%	$110	$7.65	$1.00	14	15	24
Nassau, NY	1.3	$122.6	0.9	11.2	25.6	$44.3	318	19	36%	$130	$4.79	$1.73	27	12	13
Orlando, FL	2.1	$125.3	1.8	28.1	26.0	$26.8	586	12	21%	$71	$4.81	$1.03	15	16	29
Pensacola, FL	0.2	$14.9	0.2	2.5	1.6	$1.3	62	6	9%	$88	$9.51	$0.86	9	15	42
Phoenix, AZ	2.0	$177.5	2.0	22.2	39.3	$27.9	562	20	16%	$91	$4.51	$0.71	20	11	16
Prince George's County, MD	0.9	$30.3	0.3	3.4	3.1	$1.6	116	3	5%	$120	$9.86	$0.54	12	13	31
Raleigh, NC	0.3	$30.4	0.5	5.8	5.2	$4.1	289	15	14%	$58	$5.86	$0.80	10	11	29
West Covina, CA	1.5	$87.0	0.9	12.4	13.6	$16.1	320	9	18%	$100	$6.41	$1.19	16	14	15

Source: National Transit Database (NTD) Fiscal Year 2017 Service Data; Florida Transit Information System (FTIS) 2016 Dataset; TMG Consulting Analysis

**Note: Service Area Population, Operating Expense Vehicle Revenue Hours, Unlinked Passenger Trips, and Farebox revenue in millions. Figures may not compute precisely due to rounding.*

Table 12 is a subset of **Table 11** and shows the same variables and metrics for each agency's directly operated transit only. Some agencies, like New Orleans, contract out all their service, so there is no data to show for these agencies on this table.

Table 12: Peer Summary Table, Directly Operated Only: NTD FY 2017

Location	Service Area Population*	Operating Expense*	Vehicle Revenue Hours*	Vehicle Revenue Miles*	Unlinked Passenger Trips (UPT)*	Farebox Revenue*	Vehicles Operated in Max Service	Passenger Trips per Service Area Capita	Farebox Recovery Rate	Operating Expense per Revenue Hour	Operating Expense per Passenger	Average Fare per Passenger	Passengers per Revenue Hour	Revenue Miles per Revenue Hour	Average BUS Headway (in minutes), 2016
New Orleans, LA	0.4														
Austin, TX	1.2														
Charlotte, NC	1.8	$123.3	1.1	16.3	25.0	$29.7	409	14.0	24%	$113	$4.93	$1.19	23	15	22
Chicago, IL	3.2	$1,414.8	9.9	125.9	479.4	$564.8	2,700	149.0	40%	$143	$2.95	$1.18	49	13	7
El Paso, TX	0.7	$55.3	0.6	7.7	13.0	$7.7	135	17.5	14%	$94	$4.24	$0.59	22	13	27
Glenwood Springs, CO	n/a	$30.5	0.3	4.7	4.8	$4.9	97	n/a	16%	$119	$6.32	$1.02	19	18	n/a
Jacksonville, FL	1.0	$80.3	0.6	9.0	11.8	$10.4	157	11.4	13%	$125	$6.78	$0.88	18	14	24
Nassau, NY	1.3														
Orlando, FL	2.1	$100.9	1	15	25	$23.1	254	11.6	23%	$90	$4.06	$0.93	22	13	26
Pensacola, FL	0.2														
Phoenix, AZ	2.0														
Prince George's County, MD	0.9	$3.4	0	0	0	$0.04	40	0.1	1%	$148	$29.19	$0.36	5	13	n/a
Raleigh, NC	0.3	$24.8	0	3	5	$3.3	65	13.6	13%	$105	$5.26	$0.70	20	13	29
West Covina, CA	1.5														

Source: National Transit Database (NTD) Fiscal Year 2017 Service Data; Florida Transit Information System (FTIS) 2016 Dataset; TMG Consulting Analysis.
**Note: Service Area Population, Operating Expense Vehicle Revenue Hours, Unlinked Passenger Trips, and Farebox revenue in millions. Figures may not compute precisely due to rounding.*

Table 13, like **Table 12**, is a subset of **Table 11** and shows the same variables and metrics for each agency's contracted (also referred to as purchased) transit only. Some agencies, like Charlotte, directly operate all their service, so there is no data to show for these agencies on this table.

Table 13: Peer Summary Table, Contracted Only from the National Transportation Database FY 2017

Location	Service Area Population*	Operating Expense*	Vehicle Revenue Hours*	Vehicle Revenue Miles*	Unlinked Passenger Trips (UPT)*	Farebox Revenue*	Vehicles Operated in Max Service	Passenger Trips per Service Area Capita	Farebox Recovery Rate	Operating Expense per Revenue Hour	Operating Expense per Passenger	Average Fare per Passenger	Passengers per Revenue Hour	Revenue Miles per Revenue Hour	Average BUS Headway (in minutes), 2016
New Orleans, LA	0.4	$117.8	0.8	8.1	19.9	$19.9	164	53.9	17%	$150	$5.93	$1.00	25	10	38
Austin, TX	1.2	$216.9	1.8	24.5	29.8	$23.0	720	24.3	11%	$123	$7.28	$0.77	17	14	18
Charlotte, NC	1.8														
Chicago, IL	3.2														
El Paso, TX	0.7	$9.5	0.2	2.7	0.3	$0.6	58	0.4	7%	$62	$29.86	$1.97	2	18	n/a
Glenwood Springs, CO	n/a														
Jacksonville, FL	1.0	$16.5	0.2	4.1	0.8	$2.3	88	0.8	14%	$71	$20.33	$2.86	4	18	n/a
Nassau, NY	1.3	$122.6	0.9	11.2	25.6	$44.3	318	19.1	36%	$130	$4.79	$1.73	27	12	13
Orlando, FL	2.1	$24.4	0.6	13.1	1.2	$3.7	332	0.6	15%	$38	$20.47	$3.12	2	20	76
Pensacola, FL	0.2	$14.9	0.2	2.5	1.6	$1.3	62	6.5	9%	$88	$9.51	$0.86	9	15	42
Phoenix, AZ	2.0	$177.5	2.0	22.2	39.3	$27.9	562	19.8	16%	$91	$4.51	$0.71	20	11	16
Prince George's County, MD	0.9	$27.0	0.2	3.1	3.0	$1.6	76	3.3	6%	$117	$9.11	$0.54	13	13	31
Raleigh, NC	0.3	$5.6	0.3	2.7	0.5	$0.8	224	1.4	15%	$19	$11.80	$1.77	2	10	n/a
West Covina, CA	1.5	$87.0	0.9	12.4	13.6	$16.1	320	8.9	18%	$100	$6.41	$1.19	16	14	15

Source: National Transit Database (NTD) Fiscal Year 2017 Service Data; Florida Transit Information System (FTIS) 2016 Dataset; TMG Consulting Analysis
**Note: Service Area Population, Operating Expense Vehicle Revenue Hours, Unlinked Passenger Trips, and Farebox revenue in millions. Figures may not compute precisely due to rounding.*

Table 14 provides a breakdown of each agency's service by key variables, which include Operating Expense, Vehicle Revenue Hours, Vehicle Revenue Miles, Unlinked Passenger Trips (also referred to as ridership), Farebox Revenues, and Vehicles Operated in Maximum Service (VOMS). The percentage refers to the portion of each variable that is attributable to directly operated or purchased transit.

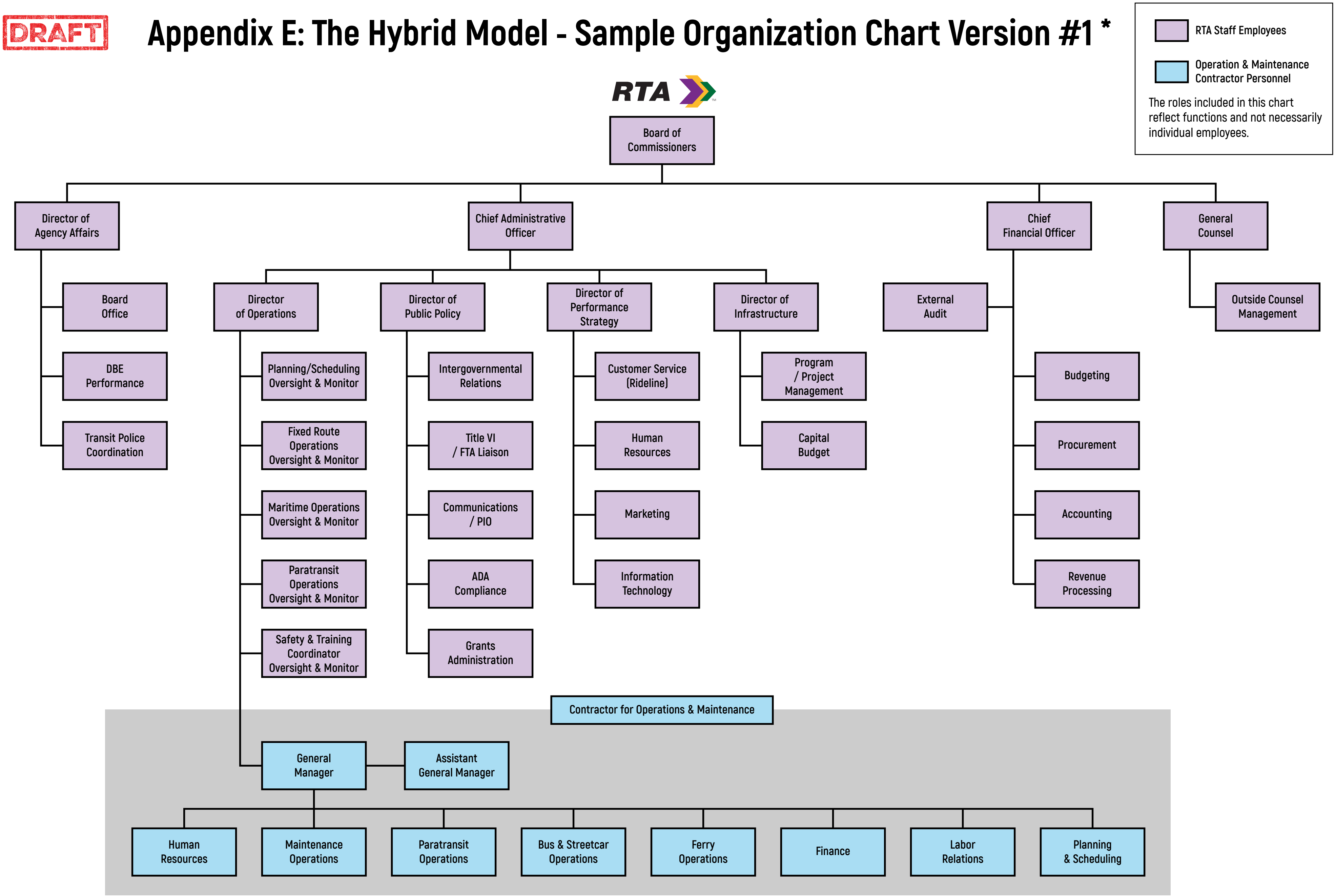
The far-right column of the table indicates which modes are directly operated and contracted by the agency. Most agencies that contract service, either mostly contract or contract minimally; few peers approached an even spread of contracting and directly operating service.

Table 14: Peer Summary Table, Breakdown of Directly Operated and Contracted Services from the National Transportation Database FY 2017

Location	Service Type	Operating Expense	Vehicle Revenue Hours	Vehicle Revenue Miles	Unlinked Passenger Trips (UPT)	Farebox Revenue	Vehicles Operated in Max Service	Modes Included
New Orleans, LA	Directly Operated	0%	0%	0%	0%	0%	0%	n/a
	Contracted	100%	100%	100%	100%	100%	100%	Bus, Streetcar, Ferryboat, Para.*
Austin, TX	Directly Operated	0%	0%	0%	0%	0%	0%	n/a
	Contracted	100%	100%	100%	100%	100%	100%	Bus, Vanpool, Commuter Bus, Hybrid Rail, Para.*
Charlotte, NC	Directly Operated	100%	100%	100%	100%	100%	100%	Bus, Commuter Bus, Vanpool, Streetcar Rail, Light Rail, Para.*
	Contracted	0%	0%	0%	0%	0%	0%	n/a
Chicago, IL	Directly Operated	100%	100%	100%	100%	100%	100%	Bus, Heavy Rail
	Contracted	0%	0%	0%	0%	0%	0%	n/a
El Paso, TX	Directly Operated	85%	79%	74%	98%	92%	70%	Bus
	Contracted	15%	21%	26%	2%	8%	30%	Para.*
Glenwood Springs, CO	Directly Operated	100%	100%	100%	100%	100%	100%	Bus, Bus Rapid Transit, Commuter Bus, Para.*
	Contracted	0%	0%	0%	0%	0%	0%	n/a
Jacksonville, FL	Directly Operated	83%	74%	69%	94%	82%	64%	Bus, Monorail
	Contracted	17%	26%	31%	6%	18%	36%	Ferryboat, Para.*
Nassau, NY	Directly Operated	0%	0%	0%	0%	0%	0%	n/a
	Contracted	100%	100%	100%	100%	100%	100%	Bus, Para.*
Orlando, FL	Directly Operated	81%	64%	54%	95%	86%	43%	Bus, Bus Rapid Transit
	Contracted	19%	36%	46%	5%	14%	57%	Bus, Para.*, Vanpool
Pensacola, FL	Directly Operated	0%	0%	0%	0%	0%	0%	n/a
	Contracted	100%	100%	100%	100%	100%	100%	Bus, Para.*
Phoenix, AZ	Directly Operated	0%	0%	0%	0%	0%	0%	n/a
	Contracted	100%	100%	100%	100%	100%	100%	Bus, Para.*
Prince George's County, MD	Directly Operated	11%	9%	9%	4%	3%	34%	Para.*
	Contracted	89%	91%	91%	96%	97%	66%	Bus
Raleigh, NC	Directly Operated	82%	45%	53%	91%	80%	22%	Bus
	Contracted	18%	55%	47%	9%	20%	78%	Para.* (Taxi)
West Covina, CA	Directly Operated	0%	0%	0%	0%	0%	0%	n/a
	Contracted	100%	100%	100%	100%	100%	100%	Bus

Source: National Transit Database (NTD) Fiscal Year 2017 Service Data; TMG Consulting Analysis
**Note: Paratransit abbreviated as Para.*

Appendix E: The Hybrid Model - Sample Organization Chart Version #1 *



* Recommendations on the detailed organization by position, office and department of the RTA is beyond the Management Partners/TMG Consulting scope of work. Utilizing an RTA in-house draft organization chart of the Agency's administrative structure, the above organization chart is presented for illustrative purposes only. The above organization chart has not been analyzed or verified by Management Partners/TMG Consulting, and therefore is not recommended for adoption by the RTA without further review, and it is thereby subject to change.

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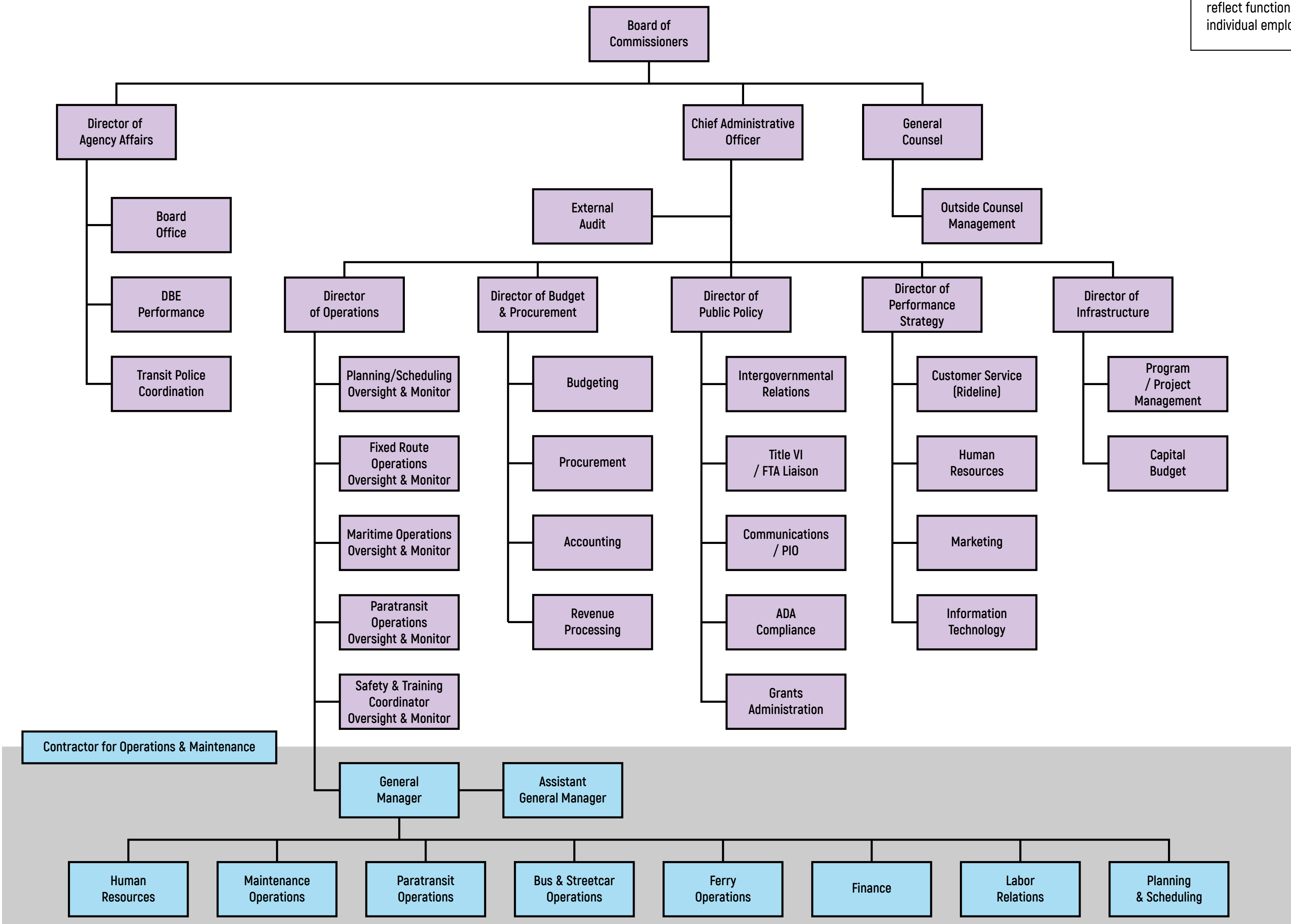
Appendix E: The Hybrid Model - Sample Organization Chart Version #2 *

RTA Staff Employees

Operation & Maintenance Contractor Personnel

The roles included in this chart reflect functions and not necessarily individual employees.



* Recommendations on the detailed organization by position, office and department of the RTA is beyond the Management Partners/TMG Consulting scope of work. Utilizing an RTA in-house draft organization chart of the Agency's administrative structure, the above organization chart is presented for illustrative purposes only. The above organization chart has not been analyzed or verified by Management Partners/TMG Consulting, and therefore is not recommended for adoption by the RTA without further review, and it is thereby subject to change.